

CONFLICTS OF INTEREST

Exposure Draft Comments

X ref	Par Ref	Comment	Respondent	Proposed Resolution
1.	General Comments			
2.		<p>AAT welcomes the opportunity to respond to the IESBA's consultation on proposed enhancements to the conflicts of interest guidance detailed in the Code of Ethics for Professional Accountants. AAT recognises that accountants in today's global market are facing increasing challenges managing conflicts of interest. In our experience in providing ethical support to members we have found a preference for terminating, or not engaging in relationships where conflicts might exist. On this basis, AAT very much welcomes the IESBA's proposal to broaden guidance for managing conflicts of interest, recognising that this will give members both practical guidance and confidence to navigate conflicts of interest where possible, in a manner proportionate to the threats existing.</p> <p>In responding to this consultation AAT has afforded members the opportunities to put their views forward on the IESBA's proposals through a brief survey. The spirit of responses received has been incorporated into this response.</p>	AAT	General supportive comment
3.		ACCA welcomes the proposal to amend the Code of Ethics for professional Accountants ('the Code') to encourage timely identification of conflicts of interest, so that they may be evaluated and addressed effectively and expeditiously.	ACCA	General supportive comment
4.		We agree with the IESBA that it is important to provide comprehensive guidance to professional accountants in identifying, evaluating and managing conflicts of interest. The topic of conflicts of interest includes a great deal of subjectivity; however, it is of great importance and in the public interest for professional accountants in public practice and business to perform professional services objectively and with the highest degree of integrity. Thus, extensive and encompassing guidance would benefit the public, professional accountants and other users of the Code.	AICPA	General supportive comment

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5.		<p>The APB generally supports the amendments being proposed.</p> <p>More detail on these points and other comments on the drafting of the amended provisions are included in the attached appendix.</p>	APB	General supportive comment
6.		<p>General Comments</p> <p>APESB is generally supportive of the Proposed Changes which aim to provide additional guidance to improve the professional accountant's ability to avoid or manage conflicts of interest. APESB believes that these proposed amendments are in the public interest and provide further understanding of sources of potential conflicts of interest for professional accountants and steps to identify, evaluate and managed these conflicts.</p>	APESB	General supportive comment
7.		<p>BDO is pleased to have the opportunity to comment on the above exposure draft issued by the International Ethics Standards Board for Accountants (IESBA).</p> <p>We welcome the IESBA's proposal to provide more comprehensive guidance for all professional accountants in identifying, evaluating and managing conflicts of interest.</p>	BDO	General supportive comment
8.		<p>The Ethics Committee of the Chartered Accountants Regulatory Board (CARB) is pleased to respond to your request for comments on the IESBA's Exposure Draft on Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest issued 20 December 2011.</p> <p>CARB is a body established to regulate members of the Institute of Chartered Accountants in Ireland, independently, openly and in the public interest.</p> <p>We have confined our comments to the questions outlined in the Exposure Draft.</p>	CARB	General supportive comment
9.		<p>The Certified General Accountants Association of Canada (CGA-C) is pleased to provide comment on the exposure draft concerning the proposed changes to the Code of Ethics for</p>	CGA	General supportive comment

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		<p>Professional Accountants related to the provisions addressing conflicts of interest for the International Ethics Standards Board for Accountants (IESBA).</p> <p>CGA-C is supportive of the goal to provide additional clarity and guidance to these provisions, ensuring that reasonable steps are taken to identify circumstances that could pose a conflict of interest, and how these instances may create threats to compliance with fundamental principles expected of the profession.</p> <p>We also support the proposed change in terms, from "professional services" to "professional activities" in Parts A and Part C of the Code, and concur that this term more aptly applies to those professional accountants in business.</p>		
10.		We thank you for the opportunity to provide our comments on the ED. We support the work of the International Ethics Standards Board for Accountants (the Board) and offer the following comments for your consideration.	CICA	General supportive comment
11.		<p>The Chinese Institute of Certified Public Accountants (CICPA) is pleased to have the opportunity to comment on IESBA's Exposure Draft <i>Proposed Changes to the Code of Ethics for Professional Accountants to Address Conflicts of Interest</i>.</p> <p>Overall, CICPA is supportive of the proposed changes put forward in the Exposure Draft. We agree that the proposed changes will provide more specific requirements and guidance for a professional accountant in applying the conceptual framework when identifying, evaluating and managing conflicts of interest.</p>	CICPA	General supportive comment
12.		<p>We would support the provision of more comprehensive guidance in identifying, evaluating and managing conflicts of interest, and would hope that any such additional guidance would be appropriate to the many and varied needs of the constituents of the global profession; and, that it would reflect the dynamics of contemporary work practice, acknowledging the different circumstances in which conflicts of interest may arise across the stakeholder groups.</p> <p>We know from our own research that despite an increase in the adoption of ethical codes and training, there is greater pressure for management accountants within organisations to act</p>	CIMA	General supportive comment

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		<p>unethically, with that pressure being most apparent in emerging economies. With that in mind, the IFAC code continues to have a key role to play in helping accountants to pre-empt, recognise and address circumstances which give rise to ethical challenges in a highly competitive and increasingly complex business world.</p> <p>We would also wish to emphasise the ongoing need for corporate leaders to be more actively engaged in reviewing and taking responsibility for ethical performance as any weakened 'tone from the top' has potentially serious implications for the overall ethical operating culture of an organisation (which we are pleased to note the exposure draft acknowledges in amended Section 320.5), as well as for individuals who are endeavouring to comply with their professional codes.</p>		
13.		<p>As an overall comment, the French bodies do welcome the IESBA initiative to provide additional guidance for all professional accountants in identifying and addressing conflicts of interest.</p> <p>We certainly find the proposed guidance helpful to some extent, because it will help the professional accountant to better identify a potential conflict of interest at an appropriate early stage in order to comply with the fundamental principles.</p>	CNCC-CSOEC	General supportive comment
14.		CPA Australia overall supports the adoption of the proposed changes to the Code of Ethics for Professional Accountants (Code) related to provisions addressing conflicts of interest. We are of the opinion that the proposed changes would assist our Members to better identify, evaluate and manage conflicts of interest. We offer the following suggestions to IESBA's request for specific comments.	CPA Au	General supportive comment
15.		<p>Overall the proposed changes more clearly define conflicts of interest and provide greater guidance to assist professional accountants to identify and address conflicts on a timely basis. We believe that careful consideration of our responses will assist the IESBA in strengthening certain aspects of the Code.</p> <p>CPAB appreciates the opportunity to provide input to the IESBA on this exposure draft and</p>	CPAB	General supportive comment

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		we would be pleased to discuss any of the above comments.		
16.		This project for conflicts of interest is very good, I think that some doubt is clear and objectivity. This point don't include that can be occur others considerations that IFAC need includes in the rules. I think that most of ideas about this subject is in this project. Congratulations for Team IFAC, good paper,	DSFJ	General supportive comment
17.		Subject to the detailed comments in our responses to the specific questions in the ED that we set out below, we welcome the IESBA's ED as a means to enhancing the guidance for professional accountants in applying the conceptual framework when identifying, evaluating and managing conflicts of interest and to provide more specific requirements.	FEE	General supportive comment
18.		We support the inclusion of guidelines in the Code of Ethics on how to deal with conflicts of interest. We participate in the Ethics Working Party of Federation des Experts Comptables Europeens (FEE).and therefore we have followed the preparation of the comment letter from FEE, which we support	FSR	General supportive comment
19.		We support the proposed provisions to the Code and believe that providing guidance and applying the conceptual framework when identifying, evaluating, and managing conflicts of interests will provide greater transparency of the professional accountant's relationships with others, and greater transparency will mitigate any adverse consequences of such circumstances or relationships.	GT	General supportive comment
20.		HKICPA is supportive of the goal to provide additional clarity and guidance to these provisions, ensuring that reasonable steps are taken to identify circumstances that could pose a conflict of interest, and how these instances may create threats to compliance with fundamental principles expected of the profession. Please find in the attachment our comments on the specific questions asked.	HKICPA	General supportive comment

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21.		<p>The Belgian <i>Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises</i> (IBR-IRE) already expressed its support for a project, aiming at providing additional practical guidance for professional accountants when dealing with conflicts of interest in its comment letter of June 7th, 2010 to the IESBA's Strategy and Work Plan 2011 – 2012.</p> <p>IBR-IRE congratulates the International Ethics Standards Board for Accountants (IESBA) with its Exposure Draft on Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest, especially in the current regulatory environment where diverging views seem to exist as to what a conflict of interest is and how professional accountants should deal with it. Therefore, IBR-IRE considers this project as a step forward towards convergence.</p>	IBR-IRE	General supportive comment
22.		The Institute is generally supportive of the overall intention of the Exposure Draft to revise the provisions addressing conflicts of interest in the <i>Code of Ethics for Professional Accountants</i> (the Code).	ICAA	General supportive comment
23.		Although the substance of the requirements is already included within the code, the revision is helpful. We have no significant issues to raise with the proposal, though we suggest some wording changes in the detailed responses below.	ICAEW	General supportive comment
24.		<p>Firstly we welcome the fact that:</p> <p><i>'The IESBA is not proposing changes to the general approach i.e. the application of the conceptual framework to identifying, evaluating and managing conflicts of interest set out in the extant Code.'</i></p> <p>We are supportive of the approach being proposed by IESBA in relation to what is a very important issue for professional accountants, whether they are in practice or in business. We would however draw your attention to our response to question 5 below.</p>	ICAS	General supportive comment
25.		The IDW supports the IESBA's aim to ensure that the Code drives strong ethical behaviour	IDW	General supportive comment

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		for all accountants, irrespective of whether they are in public practice or employed by entities as accountants in business. We therefore support the IESBA's current initiative in proposing changes to the Code to address situations in which an accountant may face a conflict of interest that may potentially pose a threat to the fundamental principles of the Code. We would like to submit our comments firstly of a general nature and secondly, as our members are primarily engaged in private practice, we have concentrated our further comments on Part B of the Code:		
26.		We agree with the basic intent of the exposure draft. In our view, the sections addressing conflicts of interest in the Code may be difficult parts to interpret. Therefore, the provision of additional guidance is useful for professional accountants to address conflicts of interest. Also, it promotes consistent results, and serves the public interest.	JICPA	General supportive comment
27.		<p>We have reviewed the proposed changes to the Code addressing conflicts of interest and believe that taken as a whole these changes represent a significant improvement on the extant Code. In particular, we are strongly supportive of the following inclusions:</p> <ul style="list-style-type: none"> • A description of a conflict of interest together with examples of where they might arise; • The requirement for the professional accountant to take into account the views of the reasonable and informed third party. The omission of this requirement in the extant Code is in our view a significant deficiency; • The specific steps which a professional accountant shall undertake to identify and evaluate the interests and relationships that might create a conflict of interest; • The expansion of the guidance on the safeguards available to the professional accountant, including in circumstances where requesting consent would result in a breach of confidentiality. <p>Our responses to each of the questions included in the Exposure Draft are set out in the Appendix to this letter and we conclude with some further comments on specific paragraphs.</p>	KPMG	General supportive comment

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28.		We support the Board's proposals to provide more specific requirements and guidance for a professional accountant in applying the conceptual framework when identifying, evaluating, and managing conflicts of interest.	Kreston	General supportive comment
29.		As a firm, we will comment only on Section 220 regarding accountants in Public practice. Conflicts of interest are more of a perception issue that can create a great risk of reputation, to this respect guidance is important even if we recognize that we are not dealing here with a totally objective matter.	Mazars	General supportive comment
30.		The Institute supports IESBA's proposal to have a robust framework which provides guidance to professional accountants when identifying and evaluating any likelihood of conflict of interest. We believe the proposed changes to the Code beneficial in aiding the understanding of requirements expected of professional accountants. The Institute is pleased to submit its responses to the Exposure Draft, which are set-out below:	MIA	General supportive comment
31.		In broad terms we support the Board's initiative to enhance the relevant provisions but have a number of comments of principle and detail which we hope the Board will find helpful. Our comments are limited to those matters which affect professional accountants in public practice.	PwC	General supportive comment
32.		Our general comments regarding the matters addressed in the Exposure Draft are below, with our responses to the specific matters on which the IESBA is seeking feedback following.	RSM	General supportive comment
33.		We support the general direction taken by the proposed changes. However, we have a number of specific concerns, as detailed below.	SAICA	General supportive comment
34.		<i>Purpose of the Project</i> We welcome the Board's efforts to reinforce the Code of Ethics by providing additional	IOSCO	General supportive comment

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		<p>guidance addressing Conflicts of Interest. We observe that many parties have a legitimate interest in the work of auditors, and that conflicts between those interests may emerge. We concur with the general approach that is set out in the Paper of identifying, evaluating and managing conflicts of interest.</p> <p>As securities regulators, one of our areas of focus is the quality of audits of listed entities. In that light, we have focused on the provisions in the proposed section 220 of the Code, as these are relevant to professional accountants in public practice, and thus may have a direct impact on the audit. We are not in a position to comment on the provisions in the proposed section 310 of the Code as these relate to accountants in business.</p>		
35.		<p>Thank you for the opportunity to comment on this Exposure draft. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) in the attachment. The scope of the NZAuASB's responsibilities is limited to ethical standards for <u>assurance providers</u> only. The exposure draft issued by the IESBA covers professional accountants in public practice and professional accountants in business. As the NZAuASB only has an interest in the provisions that relate to assurance providers our responses are limited to those issues that affect assurance providers.</p> <p>The NZAuASB is largely supportive of the additional guidance addressing conflicts of interest. The early identification and management of conflicts is particularly important for assurance engagements, as there is a significant reputation threat for the firm and the risk of a loss of confidence in the assurance report where conflicts of interest are uncovered. Real or perceived conflicts of interest that go undisclosed can cause a breach in the relationship of trust that is placed in an assurance provider, which will undermine the value of the services provided.</p>	NZAuASB	General supportive comment
36.		The Auditor-General of New Zealand (the Auditor-General) is the auditor of all public sector entities in New Zealand (public sector entities). The Auditor-General indirectly uses the Code of Ethics of the International Ethics Standards Board of Accountants (the Code) as a starting	Auditor-General, NZ	Respondent expresses general support but has areas of concern in response to specific

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		<p>point for establishing the ethical requirements that apply to audits of public sector entities. We are therefore very interested in the requirements of the Code in:</p> <ul style="list-style-type: none"> • establishing a consistent framework for addressing conflict of interest (COI) issues encountered by professional accountants; and • understanding the relationship between COI issues generally to the principle of auditor independence. <p>Our main comments on the Exposure Draft are that the Code should:</p> <ul style="list-style-type: none"> • specify the general principle of a COI in the context of a professional accountant; and • acknowledge that COIs have an impact not only on objectivity, but also on the reputation and credibility of a professional accountant. <p>(See end of document for diagram)</p>		questions as addressed below
37.		<p>We support the aim to provide additional guidance to professional accountants to facilitate the application of the conceptual framework when identifying, evaluating and managing conflicts in situations involving both professional accountants in public practice and professional accountants in business. While the existing guidance in the Code did provide a useful outline of how to address such conflicts, the increasing complexity of the business environment and the increasing expectations of clients and other stakeholders fully justifies the proposed revisions. In our view, however, the proposed amendments give rise to some concerns which are detailed below.</p>	Assirevi	Respondent expresses general support but has areas of concern in response to specific questions as addressed below
38.		<p>The Explanatory Memorandum notes that the purpose of the project on conflicts of interest was to “provide more comprehensive guidance in identifying, evaluating and managing conflicts of interest,” without changing the general approach set forth in the current Code. In our view, however, the proposed changes do in fact result in changes that are significant, particularly in the case of the proposed changes to section 220 of the Code. We have a</p>	DTT	Respondent expresses general support but has areas of concern in response to specific questions as addressed below

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		<p>number of concerns about the proposal, as discussed more fully below.</p> <p>Our comments to the questions raised in the ED, as well as other matters, are provided below. We have included our suggestions on the text of the proposed changes to the Code in Appendix A.</p>		
39.		<p>We support the IESBA's efforts to re-examine those paragraphs in the Code that address a conflict of interest that creates an adversarial situation that might compromise, or may be perceived to compromise, the objectivity of the individual auditor or the audit practice. We were not sure whether the situation envisaged in the exposure draft was not already covered in the existing Framework. We recommend that, should specific situations arise on which the IESBA believe it should issue further guidance, such guidance should be issued within the existing framework (refer to our comments under paragraph 1.6 below).</p> <p>Our responses to the request for specific comments relate to proposed amendments to paragraph 100 in Part A and paragraph 220 in Part B of the Code, relating to conflicts of interest that might be encountered by professional accountants, including those who are registered auditors, in public practice who perform audits, reviews and provide other assurance services as well as other professional services.</p> <p>Qs 6,7,8: As the IRBA does not have jurisdiction over professional accountants, other than those who are registered auditors in public practice, and has not adopted Part C of the IESBA Code, we do not comment on the proposed amendments to paragraphs 310, 320 and 340 in Part C.</p>	IRBA	Respondent expresses general support but has areas of concern in response to specific questions as addressed below
40.		<p>FAR would like to take this opportunity to point out that while discussing the Exposure Draft, some questions relating to the interpretation of the Code arose. As mentioned above, FAR believes that a consistent wording when referring to the third party test (questions 2 and 5) would be helpful, as would a definition of "reason to believe" threshold (question 3). FAR also takes the opportunity to call for a clearer definition of the difference between "professional accountants in public practice" and "professional accountants in business".</p>	FAR	<p>Respondent expresses general support but has areas of concern in response to specific questions as addressed below.</p> <p>Respondent calls for a clearer definition of the difference between</p>

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		FAR's members do not include Professional Accountants in Business. For this reason FAR refrains from answering questions 6 to 8 concerning Section 300.		PAPPs and PAIBs, which falls outside this project. The IESBA may wish to consider this in a future project.
41.		<p>The NZAuASB notes that the IESBA agreed at the February 2012 meeting to consider how it might improve the structure of the Code to raise the visibility of the requirements and prohibitions and clearly explain who is responsible for meeting them. We would like to take this opportunity to urge the IESBA to pursue such a project and to more broadly look at enhancing the clarity of the current Code. The NZAuASB is in the process of revising the New Zealand ethical standards in line with the International Code. We believe that the overall tone, expectations and requirements within the current Code is still not sufficiently direct and / or active, and that the Code is not always clear about what is intended or expected. At present, the Code is very long and discussions with key stakeholders suggest that it is sometimes difficult to read. In particular, the use of language that is sometimes indirect, ambivalent or unclear undermines the intention or principles set out in the Code. In particular, the NZAuASB is concerned that threats to independence are not always clearly stated or outlined.</p> <p>In general, our view is that the Code is less clear and less enforceable than the International Standards on Auditing, both in structure and clarity. We recommend that the IESBA Code would benefit from a further clarity project, clarifying the requirements or prohibitions contained in the IFAC Code. We also believe more needs to be done to restructure the IFAC Code to make it easier for accountants to use. Each of the fundamental principles could be presented as an objective to be obtained. We strongly urge the IESBA to consider adding a long term project to improve the clarity of the IFAC Code.</p>	NZAuASB	Respondent supports IESBA consideration of the clarity of the Code, which falls outside this project.
42.		<p>The PAIB Committee generally agrees with the objective of this project—to examine Sections 220 and 310 of the Code and revise them to provide more comprehensive guidance in identifying, evaluating, and managing conflicts of interest. In this light, the committee has the following general comments.</p> <p>The Exposure Draft points out (on page seven) that conflicts of duty are dealt with elsewhere</p>	PAIBC	Respondent expresses general support. The ED explained that the conflicts of duty are dealt with in Sections 320 and 340. The examples in extant 320.2 are consequences of threats and are

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		in the Code and can be deleted from section 310. We suggest that the relevant sections could be cross-referred to the new section 310. In addition, part of the extant section 310, such as the examples in paragraph 310.2, might usefully be transferred to other parts of the Code.		not conflicts of interest as now described and therefore a cross reference would not be appropriate.
43.		As we already stated in our comment of February 2, 2012 on the proposed changes related to provisions addressing a breach of a requirement of the Code we would like to mention once again that after the comprehensive amendments to the Code of Ethics (hereafter referred to as "CoE") over the past years, resulting in, at times considerable, demands on the member organizations in terms of implementation and regulation (including translation), there should be no further amendments to the CoE at this time.	WPK	The period of stability proposed in the Strategic Plan 2010-2012 only related to independence and ends December 31, 2012.
44.		We have one general question regarding the ED. We are wondering if conflicts of interest raise threats to integrity, especially in situations in which one of the parties involved is not aware of the conflict of interest (for instance a hostile takeover). If this is the case we encourage IESBA to mention this in the COE.	NBA	220.1 recognizes threats to fundamental principles other than objectivity and states that a professional accountant shall not allow a conflict of interest to compromise professional or business judgment.
45.	1. Do respondents find the description and examples of conflicts of interest helpful?			
46.	1	Yes	ICAEW	Supportive comment
47.	1	Yes these description and examples are helpful.	ICAP	Supportive comment
48.	1	Yes, we do believe these are helpful	ICAS	Supportive comment
49.	1	Yes. From responses received, AAT members overwhelmingly support the proposed description and examples proposed by the IESBA.	AAT	Supportive comment

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50.	1	We believe that the description and examples of conflicts of interest are helpful and well presented.	CARB	Supportive comment
51.	1	FAR finds the description and the examples of conflicts of interest helpful.	FAR	Supportive comment
52.	1	Yes, I think that the description and examples of conflicts of interest is more useful.	DSFJ	Supportive comment
53.	1	We believe the examples of circumstances that might create a conflict of interest are a good addition to the Code and will aid the early identification of such conflicts.	EYG	Supportive comment
54.	1	Yes, we do find the description and examples of conflicts of interest helpful. The professional accountant would be able to identify a potential conflict of interest at a sufficiently early stage and be able to take appropriate actions.	ZICA	Supportive comment
55.	1	APESB is supportive of the IESBA's efforts to provide examples of conflicts of interest as they help to illustrate potential ethical dilemmas faced by professional accountants.	APESB	Supportive comment
56.	1	The Institute believes that the highlighted description and accompanying examples provide clarity to the users of the Code further dimensions with regard to situations which give rise to conflicts of interest and give along-side clearer guidance to aid the users of the Code in identifying and evaluating potential instances of conflict of interest.	MIA	Supportive comment
57.	1	Yes it is particularly useful to expand the readers thinking beyond their own potential conflicts between a client and a firm to a wider view of the conflicts that may arise between two different clients or stakeholders of that accountant that may exist. It is also useful to make the reader consider conflicts between parties due to either relationships and services. Thus the wider definition will enhance and clarify the readers' perspective which is indeed helpful. (MD)	SAICA	Supportive comment

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58.	1	<p>We believe that the description and examples are helpful to professional accountants in identifying situations where conflicts of interest exist. It would also be beneficial to include examples that more commonly occur in practice, in particular those encountered in the provision of assurance services. These would include situations where a firm is engaged to provide assurance services to different parties with competing commercial interests or to different parties in a supplier/customer arrangement.</p>	CPAB	<p>Supportive comment. The Task Force does not believe that providing assurance services to parties in competition with each other would be a conflict of interest for the professional accountant. The Task Force has changed the description of a conflict of interest to clarify that the conflict is created when the subject of the service relates to the matter in which the clients' interests conflict. An example involving an assurance service has been added.</p>
59.	1	<p>Yes, the description and examples of conflicts of interest are helpful and represent a significant improvement on the extant Code. However, we suggest that consideration be given to further illustrating what is meant by a conflict of interest by making the point at the end of paragraph 220.1 that the more remote the subject of the professional services is from the matter on which the clients' interests are in conflict, the less the scope for a conflict of interest. (This is the converse of the principle set out under the third bullet point of paragraph 220.4.)</p> <p>We think this point would be well made in paragraph 220.1, particularly if this paragraph then concluded with the observation that it would not therefore usually be regarded as a conflict of interest if the professional accountant were, for example, to provide audit or assurance services to two clients who are keen competitors. This situation may present a professional accountant with a difficulty in managing the relationship with the client(s) concerned, but it does not create a conflict of interest.</p>	KPMG	<p>Supportive comment The Task Force does not believe that providing assurance services to parties in competition with each other would be a conflict of interest for the professional accountant. The Task Force has changed the description of a conflict of interest to clarify that the conflict is created when the subject of the service relates to the matter in which the clients' interests conflict.</p>

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60.	1	<p>The description and examples of conflicts of interest are helpful and should assist in identifying situations where potential conflicts arise. However, it would be helpful if paragraph 220.1 contained reference to the ability to implement safeguards in respect of potential conflicts of interest.</p> <p>It would be of benefit in paragraph 220.2 if examples of the potential safeguards that could be implemented could be given. As currently drafted there is a risk that the list could be seen as areas where there is a conflict of interest that cannot be dealt with by appropriate safeguards and disclosure.</p>	Kreston	<p>Supportive comment</p> <p>Making reference to the ability to implement safeguards is not the practice in other parts of the Code.</p> <p>Examples of safeguards are provided.</p>
61.	1	<p>The Institute believes that the description of a conflict of interest is helpful, and that the examples given are useful.</p> <p>In addition, our experience would suggest that one of the most common scenarios encountered by professional accountants in public practice concerns married clients who are divorcing. We consider that it would be useful to specifically identify this scenario as an example in 220.2. We would endorse the use of gender-neutral language in this context.</p>	ICAA	<p>Supportive comment</p> <p>Divorce proceedings have been included in the examples</p>
62.	1	<p>We consider the description set out in both paragraphs 100.17 and 220.1, and the examples set out at paragraph 220.2 helpful. We do caution, however, that whenever a listing of examples is provided, this may inadvertently cause the reader to narrow the focus of their own determination to the situations provided, rather than appreciating that these are intended for illustration only, and do not necessarily represent an exhaustive list of what might represent a case of conflict. Accordingly, we would recommend the purpose of such a listing of examples to be made clear.</p>	HKICPA	<p>Supportive comment</p> <p>The introduction to 220.2 states the examples "include" which clarifies the list is not comprehensive. This is consistent with drafting conventions in the Code.</p>
63.	1	<p>Yes, the NZAuASB is supportive of including a description and examples of conflicts of interest. We recommend that paragraph 220.2 should clarify that the list provides some examples but is not limited to the examples listed</p>	NZAuASB	<p>Supportive comment</p> <p>The introduction to 220.2 states the examples "include" which</p>

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				clarifies the list is not comprehensive. This is consistent with similar lists in the code e.g. 200.5
64.	1	<p>Yes – We agree that there is a need to provide guidance on conflicts of interests from an ethical perspective; nevertheless the area is very complex.</p> <p>In our view, conflicts of interest create threats equally to confidentiality and to objectivity.</p> <p>We find that it is impossible to give a definition, the area to be covered being too broad.</p> <p>We find the description is helpful, nevertheless we have to be careful on examples given so as not to create the impression of a checklist (examples may be not enough or misleading) and thus incite the stakeholders of the code to limit themselves only to these circumstances that are quoted in the Code.</p>	Mazars	<p>Supportive comment</p> <p>The introduction to 220.2 states the examples “include” which clarifies the list is not comprehensive. This is consistent with similar lists in the code e.g. 200.5</p>
65.	1	<p>Examples of situations of potential conflicts of interest can be useful and helpful in some of these cases, but it is important to continually emphasize that these are just examples and not all inclusive, so that one doesn’t feel that something is acceptable if it is not listed in the code.</p> <p>Matters specific to professional accountants in business (Section 310, 320 and 340 of the Code) could be expanded to include more examples.</p>	IMA	<p>Supportive comment</p> <p>The introduction to 220.2 states the examples “include” which clarifies the list is not comprehensive. This is consistent with similar lists in the code e.g. 200.5</p> <p>There are five examples in Section 310.</p>
66.	1	<p>Yes, we find the description set out at both paragraph 110.17 and paragraph 220.1, and the examples set out at paragraph 220.2 helpful. We do caution, however, that whenever a listing</p>	CGA	Supportive comment

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		of examples is provided this may inadvertently cause the reader to narrow the focus of their own determination to the situations provided, rather than appreciating that these are intended to provide illustration only, and do not necessarily represent an exhaustive list of what might represent a case of conflict.		The introduction to 220.2 states the examples "include" which clarifies the list is not comprehensive. This is consistent with similar lists in the code e.g. 200.5
67.	1	We believe the description of circumstances that might create a conflict of interest and examples of conflicts is helpful. However, we note that the example at 220.1 of the existing Code to a threat to objectivity being created through competing directly with a client or having a joint venture or similar arrangement with a major competitor of a client is not included in the proposed replacement section 220. We believe this is a useful example that would benefit the new proposed Code.	RSM	Supportive comment This example is added.
68.	1	However, with regard to the examples, we would like to make the following suggestions: - to add a case where the same firm provides services to both a vender and a purchaser in a specific transaction, into paragraph 220.2, as a typical example of conflict of interest; - to categorize the provided examples by type in order to promote a better understanding of conflicts of interest.	JICPA	Supportive comment Providing services to a vendor and purchaser has been added to the examples. The examples have been ordered from the less to the more obvious.
69.	1	We find the description and examples helpful for developing an understanding of the subject matter, since the existing provisions do not contain descriptions and sufficient examples. We believe that, in identifying potential conflicts of interest, it is useful to classify the conflicts of interest into two types, and provide several examples, since auditors' independence and conflict of interest are often confused during discussions.	JICPA	Supportive comment Lack of independence is recognized as a type of conflict. A cross reference to independence has been added. An example involving assurance has been added.

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70.	1	<p>As a more general observation we think it would be convenient for the reader of the Code to explain and differentiate what is meant by conflicts of interest and what is meant by independence. Independence goes beyond conflicts, and independence rules are the means by which objectivity is maintained. We acknowledge that section 280.2 of the Code already describes the relationship of objectivity, independence and conflicts:</p> <p><i>"280.2 A professional accountant in public practice who provides an assurance service shall be independent of the assurance client. Independence of mind and in appearance is necessary to enable the professional accountant in public practice to express a conclusion, and be seen to express a conclusion, without bias, conflict of interest, or undue influence of others."</i></p> <p>However, there is a need for clarification, which is also needed in respect of the draft EU Regulation from 30 November 2011, which several times erroneously uses the terminology "conflict of interest" instead of "threats to independence".</p>	FSR	Lack of independence is recognized as a type of conflict. A cross reference to independence has been added. An example involving assurance has been added.
71.	1	<p>The Auditor-General of New Zealand (the Auditor-General) is the auditor of all public sector entities in New Zealand (public sector entities). The Auditor-General indirectly uses the Code of Ethics of the International Ethics Standards Board of Accountants (the Code) as a starting point for establishing the ethical requirements that apply to audits of public sector entities. We are therefore very interested in the requirements of the Code in:.....</p> <ul style="list-style-type: none"> understanding the relationship between COI issues generally to the principle of auditor independence. 	Auditor-General, NZ	Lack of independence is recognized as a type of conflict. A cross reference to independence has been added. An example involving assurance has been added.
72.	1	<p>On the matter of COIs it would seem that there should be a common general understanding of the nature of a COI, and that subsequent guidance on the identification and elimination/mitigation of COIs should flow from that general understanding. We don't believe the Code, by means of the Exposure Draft, provides a common general understanding</p>	Auditor-General, NZ	Lack of independence is recognized as a type of conflict. A cross reference to independence has been added. An example involving assurance has been added.

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		<p>because of the different COI tests – namely:</p> <ul style="list-style-type: none"> • The test in paragraph 220.4 of the Exposure Draft that applies to professional accountants in public practice; • The test in paragraph 310.3 of the Exposure Draft that applies to professional accountants in business; and • The tests in paragraphs 290.6 and 291.5 that apply to audit, review and other assurance engagements. <p>We regard independence as a special type of COI that should be viewed in the context of the general principle of a COI. Our view can be summarised in the diagram below.</p> <p><i>(See end of this document for the diagram)</i></p>		added.
73.	1	With reference to paragraph 220.2, we suggest the IESBA consider adding an additional example on providing transaction advisory services to an entity trying to acquire an existing client of the professional accountant's firm. Although we realise the list of examples is not intended to be all inclusive, we believe this example should be included as it is a very common conflict of interest situation in practice.	RSM	This example has been added.
74.	1	We believe the description of conflicts of interest in proposed paragraphs 100.17, 220.1 and 310.1 to be helpful in understanding when a conflict of interest is created. We consider the examples included in proposed paragraphs 220.2 and 310.2 to be helpful, practical examples of situations in which conflicts of interest may arise. An additional example which may be useful in paragraph 220.2 is:	BDO	<p>Supportive comment</p> <p>A similar example has been added.</p> <p>The introduction to 220.2 states</p>

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		<ul style="list-style-type: none"> Advising a client on the purchase of an information system where the professional accountant in public practice or the professional accountant's firm was involved with the development of the software <p>We recommend the IESBA makes it clear that the list of examples given in paragraphs 220.2 and 310.2 is not a comprehensive list.</p>		the examples "include" which clarifies the list is not comprehensive. This is consistent with similar lists in the code e.g. 200.5
75.	1	The descriptions and examples are helpful. We feel that it can be enhanced if the "conflict of interest" concept is widened to include professional accountants that perform the functions of winding up estates and acting as executors of estates.	SAIPA	<p>Supportive comment</p> <p>The Task Force does not believe this example conforms to the description of a conflict of interest.</p>
76.	1	<p>In our opinion it is helpful to provide clear examples of situations in which conflicts of interest may arise such as given in paragraphs 220.2 of the ED.</p> <p>With regard to the 4th example (Representing two clients who are trying to acquire the same company) it might be necessary to explain that this does not give rise to a conflict in situations where the representation is successively and the client who was represented first, has declared that it is no longer interested in acquiring the company.</p>	NBA	<p>Supportive comment</p> <p>"at the same time" has been added to this example to address the respondents point.</p>
77.	1	<p><i>Examples of Conflicts of Interest Section 220</i></p> <p>In Paragraph 220.2, the example of a conflict of interest concerning the license agreement could be revised to be more general as follows:</p> <p>Advising a client on the purchase of a product or service information system while having a royalty or commission license agreement with a potential software vendor.</p>	AICPA	The examples in 220.2 have been changed to include these suggestions.

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		<p>We also recommend that Paragraph 220.2 include an example of a conflict of interest pertaining to a professional accountant providing services to a divorcing couple as this appears to be a common issue:</p> <p><i>A professional accountant has provided tax or other professional services for a couple who are undergoing a divorce, and the professional accountant has been asked to provide professional services for both parties during the divorce proceedings.</i></p>		
78.	1	<p>Grant Thornton believes the description and examples of conflicts of interest are helpful and the additional guidance will prove to be beneficial to professional accountants when dealing with conflicts of interests.</p> <p>We do recommend that the IESBA add the following language to the proposed examples in sections 100.17, 220.1 and 310.1 for further clarification and to be consistent with the language in sections 220.4, 220.5 (third and fifth bullet points), 220.9, 310.3, and 310.4 (second bullet point) which refer to interests and relationships:</p> <ul style="list-style-type: none"> • Conflicts between the interests <i>and relationships</i> of two or more clients; or • Conflicts between the interest <i>and relationships</i> of the professional accountant and the interests <i>and relationships</i> of the client. 	GT	<p>Supportive comment</p> <p>No change made.</p> <p>A relationship itself does not necessarily lead to a conflict of interest, but relationships that lead to a conflict would be caught by the description.</p>
79.	1	<p>Yes. Conflicts of interest is a topic that is both subjective and diverse. There are an unlimited number of situations and scenarios which may lead to a potential conflict of interest and numerous factors that may influence a specific set of circumstances. The broad description of conflict of interest combined with the examples in which conflicts of interest may arise provides a solid framework to describe potential conflicts and act as helpful guidance for early detection of a conflict of interest.</p> <p>We note, however, that the description in Paragraphs 100.17 and 310.1 refer to “when</p>	AICPA	<p>Supportive comment</p> <p>The phrases “performing a</p>

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		undertaking a professional activity" whereas Paragraph 220.1 refers to "when performing a professional service." We believe the term "undertaking" is appropriate for purposes of professional services as well as professional activities and believe the Board should be consistent in its terminology. Accordingly, we would recommend Paragraph 220.1 be revised to state, "when undertaking a professional service."		professional service" and "undertaking a professional activity" will be used consistently throughout the Code. .
80.	1	<p>In general the introduction of examples seems useful to identify the potential conflicts of interests.</p> <p>We would also like to point out that, in our opinion, the last example in the proposed par.220.2 (<i>'advising a client on the purchase of an information system while having a license agreement with a potential software vendor'</i>), rather presents a case of <i>'self-interest'</i> .</p> <p>First of all, we deem it would be appropriate to talk about <i>'conflict of interests'</i> rather than <i>'conflicts of interest'</i>: as a matter of fact, the use of the plural ("interests") stresses, more effectively, that the precondition of the threat to compliance with ethical principles is the coexistence of conflicting interests.</p>	CND-CEC	<p>Supportive comment</p> <p>Self interest is one of the two types of Conflict of Interest as described in the revised ED.</p> <p>Conflict of interest appears to be the commonly accepted use of English and the plural is conflicts of interest.</p>
81.		There is inconsistent drafting of "Conflicts of interest" and "Conflicts of interests". See 220.1 and 220.2 for example. Strictly for there to be a conflict there must be interests that conflict (plural).	PWC	Conflict of interest appears to be the commonly accepted use of English and the plural is conflicts of interest.
82.	1	We believe that the description in paragraphs 100.17 and 100.18 will be helpful to professional accountants, and that it is important to incorporate such a description into section 100 of the Code. However, we would question whether the proposed positioning of the new section on conflicts of interest is the appropriate place for this discussion. We acknowledge the objective of ensuring that conflicts of interest are considered at an early stage. However, the proposed positioning would interrupt the flow of the ethical conflict resolution process set out in section 100. We would recommend that the discussion	ACCA	Only the description in 100.17, and 100.18 would precede the Ethical Conflict Resolution paragraphs. Section 220 would be included in Part B and Section 310 in Part C.

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		<p>concerning conflicts of interest is situated after paragraph 100.22.</p> <p>Conflicts of interest may arise in a wide range of different situations. We have concerns that the proposed general description of conflicts of interest focuses on just two categories of conflict. All potential conflicts should be considered by the professional accountant.</p> <p>Any conflicts involving the interests of a professional accountant are examples of the self-interest threat, which is discussed in paragraph 100.12. Other types of conflict are more problematic, and it is more difficult to relate all the issues in such cases to the threats described in paragraph 100.12. Such conflicts, not involving the self-interest of the professional accountant, give rise to perceived threats, rather than actual threats to objectivity.</p> <p>It is useful to include the descriptions of conflicts of interest in paragraphs 220.1 and 310.1, and we agree with their content. We also believe that the examples provided in paragraphs 220.2 and 310.2 will be helpful to professional accountants. However, in paragraph 220.2, we would prefer more emphasis on 'advising' clients with opposing interests, rather than 'representing' them.</p>		<p>The Task Force is of the view that the description is sufficiently wide to capture all potential conflicts.</p> <p>"Advising clients" has been added to the examples a number of times.</p>
83.	1	Paragraphs 100.17 and 220.1 use the words 'when undertaking a professional activity' and 'when performing a professional service'. However, they do not refer to 'contemplation of' a professional activity or professional service.	ACCA	The Task Force is of the view that contemplating an activity or service does not create a conflict of interest. The conflict is only created when the activity or service is accepted. Reference is made to the need to plan ahead.
84.	1	We recommend that paragraphs 100.17 and 220.1 be amended such that they refer to an activity or service that the accountant "may undertake" as at this point a decision to proceed has not been determined.	PwC	We are describing an actual conflict of interest rather than circumstances that might create a conflict. Reference is made to the

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				need to plan ahead.
85.	1	The ED states threats may be created by conflicts between the interests of two or more clients. However, the ED does not define a “client” or address the professional accountant’s obligations to a former client. When services of a “one-off” nature are provided to a client, does the entity cease to be a client immediately upon completion of the engagement or does the accountant have a continuing obligation not to take on an engagement for another client that is adverse to the interests of the first client? We believe, in order to protect the reputation of the profession, it would be appropriate for the Code to require a brief “cooling off” period to have passed before a professional accountant can accept an engagement that is adverse to the interests of a former client. It should be noted that, even after this cooling off period has passed, the accountant’s duty to protect confidential information of the former client remains.	CICA	The Task Force does not believe it would be appropriate to introduce requirements of this nature. The Code however provides the basis for making determinations of this nature, depending on whether, in particular, there is a threat to the fundamental principle of confidentiality arising from information held in confidence from a client or former client.
86.	1	In addition, we believe that in paragraph 100.17, second bullet point : reference is made to conflicts between the interests of the professional accountant and the interests of a party from whom the professional undertakes a professional activity. We tend to believe that the proposed wording should also refer explicitly to situations where the professional accountant has <u>undertaken</u> a professional activity. We have also noted that the second bullet point of the same paragraph (220.1) refers to: “conflicts between the interests of the professional accountant and the interest of a party for whom the professional undertakes a professional activity”. Such a wording seems to ignore the potential situations where a professional accountant has previously undertaken a professional activity which might cause a conflict.	CNCC- CSOEC	No change has been made. The Task Force is of the view that if a service has been previously undertaken it does not lead to a subsequent conflict. The revised description requires the interests of the clients to be in conflict. This seems to be largely a matter of safeguarding confidentiality so the guidance in Section 140 of the Code is also likely to be relevant.
87.	1	Response: Yes We agree that the examples are useful; however, note that the examples of <i>adversarial conflicts of interest</i> in paragraph 220.2 are not limited to these examples and suggest that a sentence be added similar to that in paragraph 290.9, namely: <u>“That the examples do not address all the circumstances and relationships that may create <i>adversarial conflicts of</i></u>	IRBA	Supportive comment The introduction to 220.2 states the examples “include” which clarifies the list is not comprehensive. This is consistent

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		<p><u>interest and resultant threats to the fundamental principles”.</u></p> <p>It would also be useful if there was a distinction between examples that illustrate:</p> <p><i>Conflicts of interest between two or more parties</i> for whom the professional accountant undertakes professional activities, and</p> <p><i>Conflicts between the interests of the professional accountant and the interests of a party</i> for whom the professional accountant undertakes a professional activity.</p> <p>We would suggest the use of sub-headings in the examples in the proposed paragraph 220.2 to make this distinction, namely:</p> <p><i>Conflicts between the interests of two or more clients</i> – examples included in the first five bullet points; and</p> <p><i>Conflicts between the interests of the professional accountant providing professional service and those of the client</i> – examples included in the last two bullets.</p> <p>A further example of the preceding point could include circumstances where a professional accountant provides audit or other assurance services to two or more clients that are competitors in the same market. This may occur more frequently in those industries / markets requiring specialist audit knowledge, where fewer auditing firms might employ such expertise, reducing the choice available to clients for professional services.</p>		<p>with similar lists in the code e.g. 200.5. Additionally, this section is not limited to conflicts of interest that are adversarial.</p> <p>The examples have been classified to align with the two types of conflict.</p> <p>The Task Force has changed the description of a conflict of interest to clarify that the clients’ interests in the matter must be in conflict. Therefore providing assurance services to parties in competition with each other would not be a conflict of interest for the professional accountant unless the assurance services related to the subject of the conflict of interest.</p>
88.	1	<p>We believe that the description of a conflict of interests is appropriate (subject to our comments herein) and acts as an appropriate basis for the Code’s guidance.</p> <p>The proposal states that a “professional accountant shall not allow a conflict of interest to compromise professional or business judgment”. On the grounds that we infer business judgement to mean commercial judgment we do not think that the reference is appropriate here and suggest deleting the words “or business”. This should focus on the threat to the accountant’s professional judgment in providing services.</p> <p>As regards the examples, these are clearly illustrative of situations that may give rise to a conflict of interests, but which can often be managed in practice. On the specific examples:</p>	PwC	<p>Supportive comment</p> <p>The wording is consistent with the fundamental principle of objectivity in 100.5(b)</p>

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		<ul style="list-style-type: none"> Bullet 5 – in practice, accountants do not “represent” a client in legal matters in the same way that a lawyer would. We recommend that this be changed to “Acting in an advocacy role for two clients who are in dispute with one another”. This would cover expert witness services. In general we propose changing all references to “representing” with “advising”. Bullet 7 – We question whether this is a good example of a potential conflict. Firms of accountants will often have license agreements to use software (such as Lotus Notes) but there is nothing intrinsically wrong in providing advice to a client on the purchase and use of such software in its own business (provided that the firm is not financially incentivised to do so). Suggested alternative examples are (a) Advising a client on the acquisition of a business which the firm is also interested in acquiring, or (b) Advising a client on a marketing and business development strategy in a sector in which the firm operates as a competitor. 		<p>No change has been made. The Code uses this terminology in 290.192 which states “the firm represents an audit client”</p> <p>The example has been amended.</p>
89.	1	<p>CPA Australia finds the description of conflicts of interest and the examples of the threats that may be created by them helpful. However, we think that the provision of a definition of conflict of interest would also be helpful, especially since the Code uses the word ‘conflict’ to also describe the ethical decision making process.</p> <p>Paragraph 100.17 states that threats may be created by: ‘Conflicts between the interests of the professional accountant and the interests of a party for whom the professional accountant undertakes a professional activity.’ We suggest that the addition of ‘or parties’ may assist Members to consider that conflicts may be created which involve more than one party, so we suggest that it reads: ‘Conflicts between the interests of the professional accountant and the interests of a party or parties for whom the professional accountant undertakes a professional activity.’ This will also better align this paragraph with 220.7 that refers to clients and relevant parties.</p>	CPA Au	<p>No respondents provided a proposed definition and the majority of respondents were supportive of a description with examples. The revised description is now more specific.</p> <p>No change made in the interests of brevity as the plural can be read for the singular.</p>
90.	1	We have a concern regarding the suggested drafting of the new paragraph 100. 17 which	CNCC-	220.1 recognizes threats to

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		<p>states that: "a conflict of interest creates a threat to objectivity and may create threats to other fundamental principles..." We recognize that the most significant threat when a conflict of interest arises is related to the professional accountant's objectivity. But we also strongly believe that such a conflict may create threats to other fundamental principles, among which confidentiality may be in certain circumstances absolutely crucial, as identified by the current wording of paragraph 220.1.</p> <p>Moreover we regret that the opportunity to provide additional guidance is not accompanied with a proper definition of what a conflict of interest is all about. Efforts have been developed by OECD or other international or national organisms and some international network firms in order to provide a sound definition of a conflict of interest and the way to manage it. Examples of situations in which conflicts of interest may arise in order to facilitate compliance and early detection as proposed in the revised paragraph 220.2 are certainly helpful, but we remain convinced that a clear definition of the concept would be most essential.</p>	CSOEC	<p>fundamental principles other than objectivity. The section also recognizes the situation where disclosure of a conflict of interest would in itself be a breach of confidentiality.</p> <p>The revised description is now more specific.</p>
91.	1	<p>We are of the view that the examples provided will be helpful to the professional accountants in illustrating and helping the professional accountants to understand and identify the specific scenarios which could lead up to a conflict of interest.</p> <p>We also appreciate the Board including a description of circumstances that might create conflicts of interests for the professional accountant. However, we are of the view that the general description given in paragraph 100.17 explains how conflicts of interests arise but they still do not adequately define what a conflict of interest is. As it is not practical to provide an exhaustive list of examples of conflicts of interests, the definition is important to provide an overarching principle to guide professional accountants to identify such a potential conflict at an early stage.</p> <p>For example, the Board could consider enhancing the current description by further expanding what "interests" refer to under paragraph 100.17.</p>	ICPAS	<p>Supportive comment</p> <p>The description has been made more specific.</p>
92.	1	<p>Further we doubt the necessity to describe the concept of conflicts of interest in part A, B and C of the code. We would prefer a generic description in part A, and only refer to specifics in part B and C.</p>	NBA	<p>The Task Force is of the view that each section should stand alone with minimal cross referencing.</p>

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93.	1	Description: The description of conflicts of interest is helpful. However, the proposed Code now has similar definitions of conflict of interest in three places (in parts A, B, and C). The IESBA could provide a general definition in part A, and provide only the specifics in parts B and C.	PAIBC	The Task Force is of the view that each section should stand alone with minimal cross referencing.
94.	1	Additionally, there are a few small editorial differences between the definitions in parts A and C that should be aligned.	PAIBC	The descriptions in Part A and Part C are aligned.
95.	1	<p>We believe that the inclusion in paragraph 220.2 of the ED of clear examples of situations in which conflicts of interest may arise is helpful.</p> <p>Regarding the two examples starting with “representing” two clients (4th and 5th examples listed in paragraph 220.2 of the ED):</p> <ul style="list-style-type: none"> – We think that it would be clearer for these examples to read in a manner that a conflict of interest may arise when “representing and/or advising two clients at the same time”. Serving two clients at different times might not create a conflict of interest but would still require careful management in order to preserve confidentiality. It would be appropriate for the wording in these examples to be replaced in this way (including “the same time” and “advising” also in the wording) to reflect this clarification. 	FEE	<p>Supportive comment</p> <p>The examples have been amended.</p>
96.	1	Yes we think that including the definition as well as the examples of conflicts of interest is useful and helpful to understand when the professional may be involved in such situation. As stated in FEE comment letter the ICJCE is also of the opinion that in examples 4 and 5 it would be necessary to specify that conflict of interest usually arises when the professional accountant is rendering advice services at the same time to two or more clients, since if services are delivered in different times might not create a conflict.	ICJCE	<p>Supportive comment</p> <p>The example has been amended.</p>

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97.	1	<p>Description of a Conflict of Interest</p> <p>A conflict of interest arises out of a professional accountant's requirement to comply with the fundamental principles of integrity, confidentiality and objectivity. Proposed paragraph 100.17 makes a specific reference only to the principle of objectivity. We believe the principle of integrity, which includes the professional accountant's duty of loyalty to clients and/or the employer, and the principle of confidentiality, which includes the accountant's obligation to refrain from disclosing or using confidential information of a client or employer for personal advantage or the advantage of a third party, to be equally important as the principle of objectivity in understanding the impacts of conflicts of interest. We recommend paragraphs 100.17, 220.1 and 310.1 be amended to refer to the principles of integrity and confidentiality as well as objectivity.</p>	CICA	100.17, 220.1 and 310.1 recognize threats to fundamental principles other than objectivity.
98.	1	<p>As noted above, we believe the description of conflicts of interest to be incomplete and should refer to the threats to integrity and confidentiality that exist when a professional accountant faces a conflict of interest.</p> <p>We believe the Code should refer to a "professional conflict", i.e. the conflict that exists when the Code or other professional or regulatory requirements imposed on the accountant prevent the accountant from actions that are in the best interest of both the client or employer, as the case may be, and the professional accountant. This may be included as an example of a conflict between a professional accountant and a client, or set out separately as a third type of conflict.</p>	CICA	<p>This type of conflict falls outside the revised description.</p> <p>In this circumstance, the conflict resolution process may be appropriate.</p>
99.	1	<p>We support that the Code should describe a conflict of interest and provide examples of conflicts of interests, and they are helpful to the understanding of conflicts of interests. Detailed comments are as follows:</p> <p>The description of conflicts of interests specific to a professional accountant in public practice is not consistent in form with the description in the Paragraph 100.17. We suggest that the Paragraph 220.1 of the Exposure Draft be revised as "conflicts between the interests of two or more clients for whom the professional accountant in public practice performs a professional service or conflicts between the interests of the professional accountant and the</p>	CICPA	<p>Supportive comment</p> <p>No change is proposed. "for whom the professional accountant in public practice performs a professional activity" is necessary in 100.17 as this paragraph covers both PAPPs and</p>

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		interests of the client for whom the professional accountant in public practice performs a professional service".		PAIBs. This phrase is necessary for the latter but not the former, where it would be superfluous.
100.	1	The examples provided in paragraph 220, which describe situations where a conflict of interest may arise, are certainly helpful. But as we have explained in our general comments, we believe that a definition is needed in order to help early detection.	CNCC-CSOEC	The revised description is now more specific.
101.	1	<p>We believe the proposed standards are difficult to apply when the term "conflict of interest" is not defined in the Code. We understand that the IESBA concluded that defining conflict of interest was too difficult so the Board settled on developing a "description" in lieu of a definition. Although it is helpful to provide a description and examples of conflicts of interest as general guidance, we have concerns about the description of conflicts of interest in proposed paragraphs 100.17 and 220.1 and certain of the examples.</p> <p>Conflicts of interest are described in paragraph 220.1 as "conflicts between the interests of two or more clients or conflicts between the interests of the professional accountant and the interests of the client." As drafted, the standard purports to describe circumstances that might give rise to a conflict of interest, but not what it is that constitutes a conflict of interest. Importantly, there is no reference to the interests of the parties being adverse. Contrast what is being proposed with, for example, Rule 1.7 <i>Conflict of Interest: Current Clients</i> in the "Model Rules of Professional Conduct" issued by the American Bar Association, which states in part:</p> <p style="padding-left: 40px;">A concurrent conflict of interest exists if:</p> <p style="padding-left: 40px;">(1) The representation of one client will be directly adverse to another client, or</p> <p style="padding-left: 40px;">(2) There is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer. (emphasis supplied)</p> <p>It is interesting to note that the legal profession is seen as having the most stringent rules on</p>	DTT	The revised description is now more specific.

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		conflicts of interest given the duty lawyers have to their clients, yet the proposed standard here takes a much more expansive view in describing a conflict of interest. It does not include as an element of a conflict of interest adversity arising from or relating to the services provided by or interests of the professional accountant.		
102.	1	<p>We believe the examples of situations in which conflicts may arise contained in paragraphs 220.2 and 310.2 are useful in helping practitioners understanding the nature of the conflict to be identified.</p> <p>However, we also believe that the descriptions contained in paragraphs 100.17, 220.1 and 310.1 are too broad and encompass circumstances in which it is difficult to envisage conflicts arising. For example, we do not believe that the mere existence of conflicts between two or more clients creates a threat to objectivity for the professional accountant when performing professional services for either client. We believe that conflicts are triggered when a specific professional service for one client may have an adverse impact on another client. Likewise a conflict between the professional accountant and a client would not normally create a threat to objectivity for the professional accountant unless the performance or the outcome of a professional service could adversely affect either the professional accountant or the client. Accordingly, we suggest that the description of a conflict of interest in 100.17, 220.1 and 310.1 be changed to focus on situations where a conflict may effectively exist.</p> <p>For example, the description in paragraph 220.1 could be changed as follows:</p> <p>A professional accountant in public practice may be faced with a conflict of interest when performing a professional service. A conflict of interest may create a threat to objectivity or to other fundamental principles. Such a threat may be created when:</p> <ul style="list-style-type: none"> the interests of two or more clients may be adversely affected by a specific professional service performed by the professional accountant; or the interests of the professional accountant with respect to a specific matter may be adverse to the interests of the client as a consequence of the professional 	Assirevi	<p>Supportive comment.</p> <p>The Task Force does not believe that providing assurance services to parties in competition with each other would necessarily be a conflict of interest for the professional accountant.</p> <p>A cross reference to independence and assurance services and a related example have been added.</p> <p>The description has been revised to be more specific.</p> <p>The Task Force has changed the description of a conflict of interest to clarify that it is the clients' interest in the matter that must be in conflict.</p>

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		<p>accountant providing a professional service.</p> <p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p> <p>Similar changes should be made to paragraphs 100.17 and 310.1. Such changes would establish a description that is more compatible with the examples contained in 220.2 and 310.2.</p>		
103.		<p>It is also interesting to note that with the exception of the last example in paragraph 220.2, the other examples of situations where conflicts of interest may arise all involve actual or potential disputes, adversarial proceedings or other obvious adverse interests. These examples provide helpful guidance on the type of situations involving interests that are adverse where conflicts may exist and illustrate the importance of putting context around the situation in order to be able to conclude whether there is a conflict that threatens compliance with the fundamental principles. That is not the case with respect to the last example, which refers to advising a client on the purchase of an information system while having a license agreement with a potential software vendor. It is unclear whether the license agreement allows the firm to use the software as a consumer in the ordinary course of business, which would unlikely give rise to a conflict, versus an agreement allowing the firm to license the software to third parties where the firm would be compensated for such licenses. Even in the latter case, whether a conflict is created (or whether disclosure and consent is appropriate) depends on the facts and circumstances, such as whether a number of products are recommended based on the client's criteria. We therefore suggest this example be deleted.</p>	DTT	The last example of paragraph 220.2 has been changed.
104.	1	<p>Although the lead-in to the bullets in paragraph 220.1 recognizes that threats <i>may</i> be created by conflicts between the interests of two or more clients ("[s]uch threats may be created by: ..."), the preceding sentence states that a conflict of interest <i>creates</i> a threat to objectivity. The language in these two sentences is, in our view, inconsistent and confusing. Moreover, we strongly disagree with the statement that "[a] conflict of interest creates a threat to objectivity." As noted above, there is no definition of conflict of interest, so the blanket statement that something which is undefined creates a threat to objectivity is flawed. Moreover, as noted above, whether a "conflict of interest between the interests of two or more</p>	DTT	The Task Force believes that a Conflict of Interest creates a threat to objectivity. The circumstances described may create a threat but this threat may be reduced or eliminated by safeguards.

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		clients” creates a threat to objectivity depends wholly on the particular facts and circumstances, and any conclusion regarding whether threats are created depends on those facts and circumstances.		
105.	1	Many clients of the same professional accountant are competitors in the marketplace. They may have conflicting interests, but the fact that there are conflicts between them does not necessarily give rise to a conflict of interest for the professional accountant or create a threat to objectivity or the other fundamental principles. In fact, firms often provide services, including audit services, to many clients in the same industry because of their industry expertise, although their clients’ interests are adverse to each other. We do not believe that per se these situations create a conflict of interest for the professional accountant or a threat to compliance with the fundamental principles.	DTT	The Task Force does not believe that providing assurance services to parties in competition with each other would normally be a conflict of interest for the professional accountant. The Task Force has changed the description of a conflict of interest to clarify that the clients’ interest in the matter must be in conflict.
106.	1	<p>100.17 A professional accountant may be faced with a conflict of interest when undertaking a professional activity.¹ A conflict of interest may creates a threat to objectivity or and may create threats to other fundamental principles. Such threats may be created <u>when by:</u></p> <ul style="list-style-type: none"> Conflicts between the The professional accountant undertakes professional activities with respect to a particular matter for interests of two or more parties <u>whose interests with respect to that matter are adverse for whom the professional accountant undertakes professional activities</u>; or Conflicts between the The interests of the professional accountant with respect to a particular matter and the interests of a party for whom the professional accountant undertakes a professional activity with respect to that same matter <u>are adverse</u>. 	DTT	<p>See above</p> <p>The description has been changed to substantively align with the respondent’s proposal. “adverse” has not been changed as it is narrower than conflict.</p>

¹ **New Definition:** Professional Activity: An activity requiring accountancy or related skills undertaken by a professional accountant, including accounting, auditing, taxation, management consulting, and financial management.

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		<p><i>Note: For the reasons stated in our response, the above edits better reflect, in our view, circumstances that may create a conflict of interest.</i></p> <p>100.18 Parts B and C of this Code discuss conflicts of interest for professional accountants in public practice and professional accountants in business, respectively.</p>		
107.	1	<p>220.1 A professional accountant in public practice may be faced with a conflict of interest when performing a professional service.² A conflict of interest <u>may</u> create a threat to objectivity or and may create threats to other fundamental principles. Such threats may be created <u>when by</u>:</p> <ul style="list-style-type: none"> • <u>The professional accountant provides professional services with respect to a particular matter for</u> Conflicts between the interests of two or more clients <u>whose interests with respect to that matter are adverse</u>; or • Conflicts between The interests of the professional accountant with respect to a particular matter and the interests of the client <u>for whom the professional accountant provides a professional service</u> with respect to that same matter <u>are adverse</u>. <p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p> <p><i>Note: For the reasons stated in our response, the above edits better reflect, in our view, circumstances creating a conflict of interest.</i></p> <p>220.2 Examples of situations in which conflicts of interests may arise include:</p> <ul style="list-style-type: none"> • Advising two shareholders in dispute over the distribution of assets on the 	DTT	<p>See above.</p> <p>The description has been made singular to align with the first sentence.</p> <p>Examples changed for bullet three.</p>

² **2 Revised Definition:** Professional Services: Professional activities performed for clients.

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		<p>dissolution of the company;</p> <ul style="list-style-type: none"> Preparing valuations of assets for different parties in adversarial proceedings; Performing litigation services for the plaintiff in connection with a lawsuit filed against a client of the professional accountant's firm <u>where the professional accountant possess information relevant to the potential dispute as a result of services provided to the client</u>; Representing two clients who are trying to acquire the same company; Representing two clients who are in a legal dispute with each other; <u>or</u> Recommending a client to invest in a business in which the professional accountant in public practice has a financial interest <u>without disclosing that financial interest</u>. Advising a client on the purchase of an information system while having a license agreement with a potential software vendor. <p><i>Note: For the reasons stated in our response, the last bullet should be deleted.</i></p>		<p>No change was made for bullet 6 as disclosure does not remove the fact that the situation may give rise to a conflict.</p> <p>The last bullet has been changed.</p>
108.	1	<p>Although we consider - and thus we would like to immediately respond to Question 1 (Do respondents find the description and examples of conflicts of interest helpful?) – the proposed descriptions and examples principally useful a special guidance paper on this topic should be sufficient. Principle rules concerning conflicts of interest already exist in the present CoE, and most of the new proposals deal – in our view - with rather truisms.</p>	WPK	<p>Supportive comment.</p> <p>Most respondents supported changes to the Code.</p>
109.	1	<p>It would be clearer if paragraphs 100.17 and 220.1 could specifically reference the fundamental principles in the Code, as this may not be immediately clear to the reader. Thus "A conflict of interest creates a threat to objectivity and may create threats to the other fundamental principles". Changes to other paragraphs would follow.</p>	PwC	<p>Change made to insert "the" before other in 100.17 and other paragraphs.</p>
110.	1	<p>Our main points arise in relation to the following:</p> <ul style="list-style-type: none"> Widening the examples given in paragraphs 220.2 and 310.2 to include other 	APB	<p>The examples have been amended to include reference to a</p>

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		<p>situations, such as where an interest is held by a family member of the professional accountant or by a connected party.</p> <p><i>Conflicts arising from connected party and other close relationships</i> The use of the reasonable and informed third party test in both identifying and evaluating conflicts of interest and the implementation of safeguards is thought to be appropriate. When using this test to identify conflicts, the professional accountant will need to take into account not only those situations that obviously create a conflict, but also those where a third party may <u>perceive</u> that there is a threat to one of the fundamental principles created as a result of a potential conflict of interest. In order to make it clear that all potential conflicts of interest are identified by professional accountants, it would be helpful if more types of conflicts between two parties were identified in the examples given in paragraphs 220.2 and 310.2. For example, these descriptions of situations where a conflict of interest may arise do not currently include instances where a conflict arises as a result of the professional accountant's family or close personal relationships. Additionally, APB made changes to its Ethical Standards for Auditors recently to introduce the concept of connected parties³ and a similar concept could be introduced to these sections of the IESBA Code. A potential conflict arises in any situation where the interests of two parties are different and are capable of leading the professional accountant to a different outcome in the professional services provided.</p> <p>The list of examples in paragraphs 220.2 and 310.2 start with relatively extreme forms of conflicts which everyone would recognise as giving rise to a threat to the fundamental principles. It would be better if the list of examples started with conflicts of lower intensity, where the answer to the question about whether there is an unacceptable threat may be less</p>		<p>family member.</p> <p>The Task Force recommends the reference to the third party test be consistent with other references to it in the Code. Including perception would be inconsistent with the third party test elsewhere in the Code.</p> <p>The examples have been revised and re-ordered to align with the two types of conflict.</p>

³ An entity's connected parties are:

- a. its affiliates;
- b. key members of management (including but not limited to directors and those charged with governance) of the audited entity and its significant affiliates; and
- c. any person or entity with an ability to influence (other than in their capacity as professional advisor), whether directly or indirectly, key members of management and those charged with governance of the audited entity and its significant affiliates in relation to their responsibility for, or approach to, any matter or judgment that is material to the entity's financial statements.

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		clear, and then escalated to those which are currently at the start of the list, which are of greater intensity. This will encourage professional accountants to think more widely about potential conflicts of interest.		
111.	1	<p>Definition of conflicts of interest</p> <p>It is apparent from the proposed insertion of paragraphs 100.17 and 100.18 and the examples in the proposed paragraphs 220.1 and 220.2 that the <i>conflicts of interest</i> envisaged, relate primarily to <i>adversarial situations</i> that may result in a professional accountant, in public practice, being placed in conflict with two or more clients.</p> <p>Such conflicts may give rise to <i>threats to independence</i>, primarily of <i>self-interest</i>, <i>advocacy</i> or <i>intimidation</i>, leading to a threat to the <i>fundamental principles</i>, primarily <i>objectivity</i> or <i>confidentiality</i> that may compromise a professional accountant's professional judgement where professional services (professional activities) are provided to two or more clients.</p> <p>The exposure draft did not appear clear in the following areas:</p> <p>We were not sure whether such <i>conflicts of interest</i> are already adequately dealt with in the circumstances of the threats described in the existing paragraph 100.12. The proposed paragraph 100.17 and 100.18 do not appear to add any new category of threats to those in paragraph 100.12, although they also arise through potential <i>conflicts of interest</i> not necessarily of an <i>adversarial</i> nature.</p> <p>We were also uncertain whether it was envisaged that <i>adversarial conflicts</i> are more likely to arise after engagements have already been accepted for two or more clients, and an <i>adversarial conflict</i> situation arises subsequently during the performance of the engagement. We note the proposed paragraph 220.6 recognises that such conflicts might arise during the engagement, but that the earlier such conflicts are identified, the greater the chance the professional accountant will be able to apply appropriate safeguards.</p> <p>We would therefore suggest that the term <i>conflict of interest</i> of an <i>adversarial nature</i> be clearly defined in the Code and paragraph 100.17 be reworded accordingly.</p>	IRBA	The Task Force does not intend that conflicts of interest should be defined narrowly to apply only where the parties take an adversarial position against each other.

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112.	1	<p>Conflicts of Interest Can Also Impact on the Reputation and Credibility of the Professional Accountant</p> <p>The Exposure Draft states, in paragraph 100.17, that a COI will create a threat to a professional accountant's objectivity and may create threats to other fundamental principles. We think it is essential to emphasise the impact of a COI on a professional accountant's reputation and credibility, even although there may be no actual impact on their objectivity. This reflects the notion that a COI can create a strong perception that a professional accountant is not objective.</p>	Auditor-General, NZ	Task Force agrees but is of the view that the Fundamental Principles are comprehensive and that Reputation and Credibility would be covered by the fundamental principles, for example: Integrity.
113.	2. Do respondents find the reasonable and informed third party standard appropriate?			
114.	2	Yes these are appropriate.	ICAP	Supportive comment.
115.	2	We find this appropriate.	SAIPA	Supportive comment.
116.	2	Yes, we believe this standard to be appropriate.	ICAS	Supportive comment.
117.	2	The conceptual framework in the Code already gives consideration to the reasonable and informed third party test (paragraphs 100.7 and 100.2 of the current Code). We feel that the reasonable and informed third party test is appropriate given the general concept of the Code that the auditor should operate in the public interest (100.1).	NBA	Supportive comment.
118.	2	Yes. This is already implicit through the general requirements to consider the perspective of the reasonable and informed third party in section 100, but it is helpful to be reminded of the requirement in this context.	ICAEW	Supportive comment.
119.	2	CPA Australia agrees with the use of the reasonable and informed third party test and finds it appropriate and aligned with the Code's framework.	CPA Au	Supportive comment.

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120.	2	Yes, we find the reasonable and informed third party standard appropriate. Indeed, our own Code of Ethical Principles and Rules of Conduct (CEPROC) adopted the use of this term a number of years ago. In addition to using this standard, the Association also provides a definition of meaning for the term.	CGA	Supportive comment.
121.	2	We find the reasonable and informed third party test appropriate for the professional accountant to consider how a conflict of the interest would be viewed by an informed third party. Additionally, this is consistent with the application of the conceptual framework.	MIA	Supportive comment.
122.	2	The third-party standard is in our view the adequate criterion in the field of judging whether there might be a thread of independence. As far as conflicts of interests are concerned it might also be helpful putting oneself into the position of a third person in order to get a more objective view on things.	WPK	Supportive comment.
123.	2	In particular the use of the reasonable and informed third party is thought to be an appropriate test for identifying and evaluating the threats arising from conflicts of interest.	APB	Supportive comment.
124.	2	Grant Thornton agrees that the reasonable and informed third party standard is appropriate and should be used by the professional accountant when identifying and evaluating conflicts of interest. We also believe the reasonable and informed third party standard is an appropriate threshold when implementing safeguards to ensure any threats to compliance with the fundamental principles are at an acceptable level.	GT	Supportive comment.
125.	2	Yes, we do consider the reasonable and informed third party standard appropriate. Professional accountants are already familiar with this test within the conceptual framework.	CARB	Supportive comment.
126.	2	We would assume "reasonable and informed third party" refers not only to a professional	HKICPA	Supportive comment.

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		accountant but a "general reasonable and informed third party". Accordingly, we consider such a reasonable and informed third party standard appropriate.		
127.	2	The ICJCE considers that the application of the reasonable and informed third party test is equally applicable to the situation addressed in this exposure draft to determine if an action satisfactorily addresses its consequences. The Test is already well defined in Sections 100.2 and 100.7 and should be applicable in all situations where the professional accountant should put in place safeguards to reduce a threat to an acceptable level that do not compromise his/her compliance with the fundamental principles included in the IESBA Code.	ICJCE	Supportive comment.
128.	2	APESB supports the use of a reasonable and informed third party standard in identifying potential conflicts of interest and implementing appropriate safeguards. This provides the professional accountant with the impetus to step back and consider the ethical dilemma from others' perspectives, which should lead to a more robust and objective decision making process.	APESB	Supportive comment.
129.	2	Yes, we do. There are many provisions in the Code based on the application of "the reasonable and informed third party test," such as in paragraphs 100.2, 100.7, and 150.1. In our opinion, the third party test is a critical judgment criterion to comply with the Code. We believe that this is consistent with the conceptual framework approach in the Code, and requirements to determine whether threats to compliance with fundamental principles are at an acceptable level. Consequently, we believe that the application of this test, to determine whether the compliance with the fundamental principles is threatened by an identified conflict of interest, is consistent with the purpose of the Code, and serves the public interest.	JICPA	Supportive comment.
130.	2	I think the reasonable and informed third party standard is appropriate and very important, but I think that is very important observed if this proposal modify others considerations of standards elaborated for IFAC.	DSFJ	Supportive comment.
131.	2	This builds on the references which appear in extant Sections 100.2 (c) and 100.7 and is an	CIMA	Supportive comment.

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		important element of the conceptual framework of the code. See also response to Question 7.		
132.	2	We believe the reasonable and informed third party test to be appropriate, subject to our comments below on safeguards.	CICA	Supportive comment.
133.	2	Yes, the inclusion of this standard is an important consideration in evaluating conflicts of interest. Although the term "informed" may be capable of a range of interpretations, we observe that the reasonable and informed third party standard is employed at various points throughout the IESBA Code and its inclusion here is therefore logical. We also believe the attributes the third party will be required to possess to make this standard effective (namely experience in general matters of business and familiarity with common commercial practice in the management of conflicts of interest) can be inferred from the context.	KPMG	Supportive comment.
134.	2	Yes. The reasonable and informed third party test used in identifying and evaluating conflicts of interest, and when applying safeguards will require the professional accountant in public practice to be mindful of the potential perception of a conflict of interest by a third party. We believe this is appropriate and consistent with the reasonable and informed third party standard used elsewhere in the Code.	AICPA	Supportive comment.
135.	2	<p>Response: Yes</p> <p>The proposed paragraph 220.4 is consistent with the principles and requirements ("shall") in the existing paragraphs 100.2, 100.7 and 200.10.:</p> <p><i>"220.4 When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, the professional accountant in public practice shall take into account whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is compromised."</i></p> <p>Nonetheless, it remains the responsibility of the professional accountant to determine</p>	IRBA	Supportive comment.

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		whether the threats can be reduced to an acceptable level by the application of available safeguards, failing which the professional accountant in public practice should decline to perform the services or discontinue the professional services that could result in the conflict of interest or dispose of the interest to eliminate the conflict (as provided for in the proposed paragraph 220.9). Therefore, although the professional accountant 'takes into account' the conclusions of a reasonable and informed third party in terms of the framework, the final determination of whether safeguards exist and can be reduced to an acceptable level remains the responsibility of the professional accountant.		
136.	2	Yes – We agree that the third party test should be used. Nevertheless, we would prefer to have the same wording as in paragraph 100.7, where it is more explicit that the third party test is part of applying professional judgment. The reference to professional judgment is important to determine if there is a conflict of interest and the appropriate actions to be taken.	Mazars	Supportive comment. Change made, for consistency.
137.	2	The reasonable and informed third party standard is appropriate. The proposals include guidance as to when it may be appropriate to consult with a regulatory body or other professional accountant. This could be enhanced if firms were required to establish guidance on situations where internal consultation is required.	Kreston	Supportive comment. The Code provides general guidance in 220.12 including firm-wide guidance in Part A.
138.	2	<p>We believe the reasonable and informed third party standard is appropriate to be used when identifying and evaluating conflicts of interest. The approach has the benefit of being well understood and allowing judgement over the facts and circumstances. It is also consistent with the approach to considering other threats to the fundamental principles.</p> <p>In order to be consistent with existing wording in paragraphs 100.2, 100.7 and 200.10, we recommend rearranging the wording within paragraph 220.4 as follows (additions are shown in bold italics and deletions in strikethrough text).</p> <p>When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing appropriate safeguards, when necessary,</p>	BDO	<p>Supportive comment.</p> <p>Redrafted, for consistency.</p> <p>The third party test has been aligned.</p>

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		the professional accountant in public practice shall <i>exercise professional judgement and</i> take into account whether a reasonable and informed third party, <i>weighing all the specific facts and circumstances available to the professional accountant at that time,</i> would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is compromised.		
139.	2	One minor suggestion relating to the reasonable and informed third party test would be that the suggested wording of paragraph 220.4 would benefit from being aligned to the wording in paragraph 100.7 of the IESBA Code to emphasize the need for the professional accountant to exercise professional judgement along with the reasonable and informed third party test.	IBR-IRE	Supportive comment. Change made, for consistency.
140.	2	<p>The conceptual framework in the Code already gives consideration to the reasonable and informed third party test (paragraphs 100.7 and 100.2 of the current Code). We find the reasonable and informed third party test appropriate.</p> <p>In this context, we find that the wording of the third party test should be aligned to the wording in paragraph 100.7 of the current Code to make it clear that it is a thought process when exercising professional judgement. This consideration is a comment which we have also noted in our response to the IESBA on the exposure draft related to provisions addressing a breach of a requirement of the Code.</p>	FEE	Supportive comment. Change made, for consistency.
141.	2	Furthermore, FAR accedes to the opinion expressed by FEE that the wording of the third party test should be the same throughout the Code, if no difference in interpretation is intended. If a difference of interpretation is intended this should be clearly stated.	FAR	Supportive comment. Change made, for consistency.
142.	2	<p>Provided the conceptual framework in the Code refers to the reasonable and informed third party test, we believe it is appropriate.</p> <p>But as we have underlined in a previous response to the IESBA exposure draft “provisions addressing a breach of a requirement of the Code”, we believe the wording should be aligned to the one used in the current paragraph 100.7, and therefore make an explicit reference to</p>	CNCC- CSOEC	Supportive comment. Change made, for consistency.

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		professional judgment.		
143.	2	We believe the reasonable and informed third party standard is appropriate and it is consistent with the method used in the section 290 and 291 of the code. We suggest "compliance with the fundamental principles is compromised" in the paragraph 220.4 of the Exposure Draft should be revised as "compliance with the fundamental principles would be compromised"	CICPA	Supportive comment. This paragraph has been amended to be consistent with "is not compromised".
144.	2	<p>We agree that the reasonable and informed third party standard is appropriate, as the threat to objectivity will often be more of a perception than an actual threat. However, the management of that perceived (or actual) threat is crucial.</p> <p>In our opinion, paragraph 220.4 is not clearly worded. It would appear to make more sense to say '... take into account whether a reasonable and informed third party would be likely to conclude ... that compliance with the fundamental principles is <u>not</u> compromised' (or '... is safeguarded' or '... may be compromised'). We also recommend that consistency is sought, so far as possible, between the wording of paragraph 220.4 and paragraph 100.7.</p>	ACCA	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with "is not compromised".</p>
145.	2	<p>We believe that this is an appropriate standard and is consistent with the approach taken in Section 290/291.</p> <p>However, we believe that the test should be applied at the point that the accountant is making the determination and should take account of safeguards to be applied, so we recommend that the language be slightly amended to read "that compliance with the fundamental principles <u>would be</u> compromised".</p>	PwC	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with "is not compromised".</p>
146.	2	<p>Yes. Use of the reasonable and informed third party test is appropriate, consistent with other provisions in the Code and objective, which will ensure public confidence in the veracity of the provisions.</p> <p>We would invite the IESBA to reflect on the minor distinctions in wording across the conflict</p>	AAT	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with "is not compromised".</p>

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X ref	Par Ref	Comment	Respondent	Proposed Resolution
		<p>provisions that exist in relation to this test, as there is a risk of confusion in application on the part of the practitioner. The wording detailed within the different sections is as follows:</p> <ul style="list-style-type: none"> • Section 220.4 - "...would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at the time, that <u>compliance with the fundamental principles is compromised</u>"; • Section 310.3- "...would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, <u>might compromise compliance with the fundamental principles.</u>" <p>AAT suggests it would be appropriate to amend the wording of both sections to read:</p> <ul style="list-style-type: none"> • "... a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that <u>compliance with the fundamental principles is or might be compromised.</u>" 		

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147.	2	<p>Yes, the NZAuASB supports the reasonable and informed third party standard.</p> <p>The framework and the definition of acceptable level requires that the threats to the fundamental principles should be reduced to a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances at that time, that compliance with the fundamental principles is not compromised.</p> <p>We support the added emphasis that this is required both when identifying and evaluating conflicts of interests, and believe that this is appropriate.</p> <p>However, this raises the question of why the reasonable and informed third party standard is emphasised here but elsewhere in the Code the reference is only to the "acceptable level". We recommend that a consistent approach should be adopted or that further clarification is needed if this is meant to introduce a new requirement.</p>	NZAuASB	<p>Supportive comment.</p> <p>The third party test is relevant to the entire process. It does not only apply to the identification of conflicts of interest. It is emphasized in Independence and Conflicts of interest because of its importance in these areas.</p>
148.	2	<p>We believe that the reasonable and informed third party standard is appropriate. We believe that it could be expanded to require the accountant to consult or disclose the conflicts and stipulate the safeguards that will be put in place when the accountant is in doubt.</p>	SAICA	<p>Supportive comment.</p> <p>Disclosure and safeguards are included later in the Section.</p>
149.	2	<p>Refer to our comments in the covering letter. (See end of this document for the diagram)</p>	Auditor-General, NZ	<p>A cross reference to independence and assurance has been added.</p>
150.	2	<p>We recognize that the reasonable and informed third party standard is used in a number of places throughout the Code, and the standard is appropriate in those instances. In this case, however, the construct is different than in paragraphs 100.2, 100.7 and 200.10 and therefore, if it is retained, we believe it should be aligned with these other provisions.</p> <p>Paragraph 100.2, requires the professional accountant to identify threats to compliance with the fundamental principles, evaluate the significance of the threats identified and consider the reasonable and informed third party when determining whether safeguards are necessary to eliminate the threats or reduce them to an acceptable level. Similarly, paragraphs 100.7 and 200.10 refer to this third-party standard when considering whether the application of safeguards will eliminate the threats or reduce them to an acceptable level such that compliance with the fundamental principles is not compromised. These paragraphs describing the conceptual approach recognize that it is the professional accountant who must exercise judgment in identifying and evaluating threats to compliance with the fundamental principles. It is only if the professional accountant concludes that the threats are not at an acceptable level that the professional accountant</p>	DTT	<p>Change made, for consistency.</p>

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		<p>is directed to consider what a reasonable and informed third party would conclude regarding whether the application of safeguards will eliminate the threats or reduce them to an acceptable level such that compliance with the fundamental principles is not compromised.</p> <p>Unlike paragraphs 100.2, 100.7 and 200.10, the proposed paragraph 220.4 requires the professional accountant to take into account the reasonable and informed third party when identifying and evaluating circumstances that might create a conflict of interest. In our view, the professional accountant should exercise professional judgment in identifying threats to compliance with the fundamental principles arising as a result of a conflict of interest and evaluating those threats. It is only if the professional accountant determines that safeguards are necessary to eliminate the threats or reduce them to an acceptable level that the professional accountant should consider the reasonable and informed third party, and then only as to whether the reasonable and informed third party would be likely to conclude that compliance with the fundamental principles is not compromised as a result of the application of safeguards.</p>		<p>The Task Force intends that the third party test be considered in the identification and evaluation of the conflict, in addition to considering whether compliance with the fundamental principles is not compromised because a third party test is necessary to determine if the existence of a conflict would be perceived.</p>
151.	2	<p>When the professional accountant in public practice identifies and evaluating the interests or relationships that might create a conflict of interest, <u>the professional accountant shall evaluate whether a conflict of interest exists that creates threats to objectivity or other fundamental principles. Based on the evaluation of those threats, the professional accountant shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. In making that determination, and implementing safeguards, when necessary,</u> the professional accountant in public practice shall <u>exercise professional judgment and</u> take into account whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is <u>not</u> compromised.</p> <p><i>Note: These suggested edits retain the reasonable and informed third party standard while aligning the wording to that contained in paragraph 100.7.</i></p>	DTT	<p>See above.</p>
152.	2	<p>We believe the reasonable informed third party standard is appropriate for Section 290 of the Code in the context of independence related to audit and review engagements, however we have some concern regarding its importance in the context of non assurance services for non-audit clients. The proposal would require the professional accountant to consider whether a reasonable and informed third party, weighing all specific facts and circumstances available to the professional accountant at</p>	EYG	<p>The Task Force is of the view that the views of the client and the third party are likely to be the same, but if they differ the third party's view should prevail. In</p>

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		that time, would likely conclude that compliance with the fundamental principles has been compromised. The proposed requirement would apply to both the identification and evaluation of conflicts of interest and the implementation of safeguards to address them. We believe this requirement is justified in Independence regulation because it is in the public interest that an auditor remains independent of the company that is being audited, and experience has shown that it builds in an additional layer of rigor in evaluating possible threats to independence. However, with respect to performing non-assurance services to non-audit clients, the party potentially impacted by the conflict is the specific client and it is the view of that client rather than a third party that would generally be more relevant in evaluating a conflict and the safeguards to be applied. If the potential conflict is disclosed to the client and the client, after evaluating the conflict and the proposed safeguards, consents to the situation, the informed third party standard would generally be less important. Instead, in situations where consent cannot be obtained for reasons of confidentiality, as discussed in paragraph 220.8, we agree that it is appropriate to use the informed third party test as one of the three conditions that must be met in order to proceed with the engagement.		addition, it is possible that parties other than the client, may be impacted and therefore the interests of those parties should be considered.
153.	2	FAR finds the reasonable and informed third party test appropriate. However, FAR believes that in the context of conflicts of interests the opinion of the client concerned is more relevant than the opinion of a reasonable and informed third party. It would be helpful if, somewhere in section 220 of the Code, it is pointed out that each paragraph must be read in context with the other paragraphs.	FAR	The Task Force is of the view that the views of the client and the third party are likely to be the same, but if they differ the third party's view should prevail. In addition, it is possible that parties other than the client, may be impacted and therefore the interests of those parties should be considered.
154.	2	While the reasonable informed third party standard is appropriate for many sections of the Code we do not believe that such a standard is relevant in the context of identifying and evaluating conflicts. The proposal requires the professional accountant, in identifying and evaluating the circumstances that may give rise to conflicts, to take into account whether a reasonable and informed third party, weighing all specific facts and circumstances available to the professional accountant at that time, would likely conclude that compliance with the fundamental principles has been compromised. While such a test is appropriate when a professional accountant must use his or her judgment in isolation, such as when evaluating a circumstance that is a threat to auditor independence, in the case of a conflict of interest, if the parties affected have been made aware of the potential conflict and agree	Assirevi	The Task Force is of the view that the views of the client and the third party are likely to be the same, but if they differ the third party's view should prevail. In addition, it is possible that parties other than the client, may be impacted and therefore the interests of those parties should be considered.

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		that the professional accountant may proceed with the engagement, then no further action is required. Where we believe the third party standard is relevant is in connection with situations where the professional accountant is prevented from obtaining consent for reasons of confidentiality, as described in 220.8.		
155.	2	We believe that the reasonable and informed third party standard is not fully appropriate, considering the professionalism of activities carried out by practitioners and the related level of competence required to evaluate compliance with objectivity and other fundamental ethics requirements. We deem that the request of a pro-veritate opinion to an independent and qualified third party (i.e. a professional - either a professional accountant or lawyer – who is independent from the professional and the network) would reduce the subjectivity inherent to the “third reasonable and informed party” test.	CND-CEC	The Task Force is of the view that it would be impractical to out-source the judgments to a third party and to identify who that third party would be. The revision recognizes that the professional accountant should use their professional judgment.
156.	2	No specific comments.	PAIBC	N/A
157.	3. Do respondents find the “reason to believe” threshold for network firms in evaluating conflicts of interest helpful?			
158.	3	We strongly support the proposed “reason to believe” test with respect to potential conflicts of interest in the case of a firm that is a member of a network. In particular, we welcome that it requires professional accountants to consider the facts available to them at that time, recognising that the extent of client information exchange will vary between different networks and will also depend on legal and contractual constraints. As noted in the explanatory memorandum of the ED, we agree that it would therefore be disproportionate to require a firm before accepting a new engagement to undertake a systematic search across the network.	FEE	Supportive comment.
159.	3	Yes it is appropriate.	ICAP	Supportive comment.
160.	3	We find this appropriate.	SAIPA	Supportive comment.
161.	3	Yes, we believe this to be appropriate.	ICAS	Supportive comment.

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162.	3	We believe that this is appropriate.	PwC	Supportive comment.
163.	3	We find the proposed “reason to believe” threshold in the case of a firm that is a member of a network appropriate. We fail to understand how an unknown and unexpected (reason to believe) situation could impair objectivity or compliance with other fundamental principles, and as such we feel that this approach would pass the third party test.	NBA	Supportive comment.
164.	3	We believe that the ‘reason to believe’ threshold for network firms is appropriate as it limits the need for a firm to identify any possible conflict of interest to only when the firm has a reason to believe that it does exist.	ZICA	Supportive comment.
165.	3	Yes, we find the “reason to believe” threshold for network firms appropriate. While we appreciate that this represents a new requirement, since the evaluation criteria only requires the professional accountant to take into account information known at the time the matter is considered, we do not find the new requirement onerous or unreasonable.	CGA	Supportive comment.
166.	3	In our opinion, the ‘reason to believe’ threshold is appropriate to the context, considering that the practitioner can only evaluate facts and information he is acquainted with in a given moment in time, and that the extent of this information depends on factors (highlighted in the proposed draft), such as legal and contractual constraints, which vary from one network to another.	CND-CEC	Supportive comment.
167.	3	Yes, we do. There is a relevant provision, in paragraph 291.3 of the current Code, regarding the evaluation of threats to independence, when any threats that a firm has “reason to believe” are created by a network firm’s interests or relationships. We believe that this provision is consistent with the “reason to believe” threshold for network firms in evaluating conflicts of interest.	JICPA	Supportive comment.
168.	3	Grant Thornton agrees that the “reason to believe” threshold is appropriate for identifying and evaluating conflicts of interest that might be created by the interests or relationships another network firm has with a client. Furthermore, in order for the “reason to believe” threshold to be an effective and appropriate measure for identifying and evaluating conflicts of interest within a network, the firm and network firms should have appropriate policies and procedures in place that will address such	GT	Supportive comment. In the revised paragraph on conflict identification, the identification process extends to

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		situations.		networks.
169.	3	<p>We understand that the “reason to believe” threshold in paragraph 220.5 for evaluating potential conflicts interest within a network is intended to clarify the general provision set out in 220.3 that requires to “take reasonable steps” to identify circumstances that might create a conflict of interest, and thus may, as set out in paragraph 220.6, vary and depend on different factors, inter alia the structure of the firm and whether the firm is a member of a network.</p> <p>The “reason to believe” threshold also can be found in paragraph 291.3 of the CoE regarding the independence requirements of other assurance engagements than audit and review engagements within networks.</p> <p>We believe that this threshold clarifies that network firms do not have to imply an extensive system to identify potential conflicts throughout the whole network for any engagement. We do appreciate this approach.</p>	WPK	Supportive comment.
170.	3	<p>Yes. The “reason to believe” threshold is appropriate based on the fact that various networks share information concerning clients differently depending on many factors such as legal jurisdictions, size of the firms in the network, services provided by the network, number of firms in the network, etc. We believe this is a reasonable approach and would not support a more extensive requirement such as requiring firms to proactively search throughout the network to identify any interests or relationships that might create a conflict of interest.</p>	AICPA	Supportive comment.
171.	3	<p>We agree that potential conflicts within a network of firms should be evaluated when the professional accountant has reason to believe that a conflict of interest exists. We believe it would be disproportionate to require a professional accountant to proactively undertake a search across a firm’s network in all situations in order to uncover potential conflicts. Such a search is time consuming and is unlikely to identify substantive conflicts that would not be identified by the exercise of professional judgment.</p>	Assirevi	Supportive comment.
172.	3	<p>The “reason to believe” threshold for network firms in evaluating conflicts of interest is appropriate. To implement a threshold at a level above “reason to believe” would in our view create significant costs to firms and networks and create unnecessary delays in clients obtaining professional services. The costs would not be proportionate to the risk of a conflict of interest. The factors to be taken into</p>	Kreston	Supportive comment.

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		account could have a more direct reference to the nature and structure of the network as there is a wide variation in the amount of information that is shared and the level of central control.		
173.	3	The ICJCE supports the requirement of evaluating only those potential conflicts of interest that the professional accountant has “reason to believe” may exist, since evaluating every relationship among clients of the whole network would be disproportionate. On the other hand the availability of appropriate data to make such search would be very difficult in some jurisdictions where the protection of data regulations avoids the exchange of certain information.	ICJCE	Supportive comment.
174.	3	Yes. Where potential conflicts are not known about and the relationships are sufficiently remote, it follows that it is unlikely that there will be any actual threat to objectivity. A requirement to search would be disproportionate in such circumstances. Some of the proposed examples used the word ‘representing’. We believe that this relationship refers more to that between a legal professional and his or her client. ‘Engaged by’ might be more appropriate.	ICAEW	Supportive comment. Representing has been changed to advising, except when it relates to a legal dispute.
175.	3	We agree that the “reason to believe” threshold is appropriate. However, although the Explanatory Memorandum states that the “reason to believe” test requires the professional accountant to consider the facts available to the professional accountant <i>at that time</i> , we note that the words “at that time” are not part of proposed wording of paragraph 220.5, the paragraph that contains the “reason to believe” test. Instead these words appear in proposed paragraph 220.4, and the reader is presumably required to make the connection between the paragraphs to determine that the “reason to believe” test incorporates this timing issue. We consider that it would be preferable to repeat these words “at that time” in the final dot point of 220.5, or similar wording to the same effect.	ICAA	Supportive comment. Change not made. The Task Force wishes to emphasize that the accountant remains alert at all times.
176.	3	APESB considers this threshold to be appropriate. However, we recommend that the description be expanded to include the consideration of all the facts and circumstances available, as in 220.4, 220.8, and 310.3. The revised provision in 220.5 should read: ‘Evaluate any potential conflicts of interest that the professional accountant has reason to believe may exist due to interests and relationships of a network firm, <u>weighing all the facts and circumstances available to the professional accountant in public practice at that time</u> , and taking into	APESB	Supportive comment. Change not made. The Task Force wishes to emphasize that the accountant remains alert at all times.

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		account factors such as the nature of the professional services provided and the clients served, and the geographic locations of all relevant parties.'		
177.	3	<p>We consider the "reason to believe" threshold for network firms appropriate. While we appreciate that this represents a new requirement, the evaluation criteria only requires the professional accountant to take into account information known at the time the matter is considered. Hence, we do not find the new requirement onerous or unreasonable.</p> <p>We understand from the explanatory memorandum that the "reason to believe" test requires the professional accountant to consider <u>the facts available to the professional accountant at that time</u>. We would recommend the IESBA to consider including such explanation in the proposed paragraph 220.5 to enable a better understanding and application by practitioners.</p>	HKICPA	<p>Supportive comment.</p> <p>Change not made. The Task Force wishes to emphasize that the accountant remains alert at all times.</p>
178.	3	We believe that this threshold provides a proportionate approach. However, for clarity, we propose that the wording of the fifth bullet point in paragraph 220.5 should be adapted to include conflicts that may 'exist <u>or arise</u> ', and the word 'potential' should be omitted.	ACCA	<p>Supportive comment.</p> <p>Change made</p>
179.	3	<p>Finally we have also noted that the exposure draft is proposing new provisions dealing with potential conflicts of interest which might be created by the interests and relationships that a firm that is a member of a network firm has with the client. As explained in our response to specific question (question 3), we agree and support the "reason to believe" threshold.</p> <p>However, we believe that it would be disproportionate to require a firm before accepting a new engagement to undertake a systematic search across the network. Instead of addressing the issue at the end of paragraph 220.5 with a bullet point, we believe that the issue should be considered and addressed in a separate paragraph.</p> <p>We support the suggested "reason to believe" test with respect to potential conflict of interest in the case of a firm that is a member of a network firm. However, as explained in our general comments, we believe that it would be disproportionate to require a firm before accepting a new engagement to undertake a systematic search across the network, therefore we would favour to address the issue in a separate paragraph. Finally we would also suggest to align the wording with the current paragraph 290.507 : "when the firm knows or has reasons to believe..."</p>	CNCC- CSOEC	<p>Supportive comment.</p> <p>The relevant wording is now a stand-alone sentence within the paragraph and is no longer a bullet point. This increases its prominence.</p> <p>The wording has been aligned by including "knows or"</p>

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180.	3	<p>We consider the 'reason to believe' threshold is an appropriate threshold for network firms in evaluating conflicts of interest. However, we recommend that an additional paragraph based on the Explanatory Memorandum, is added to the Code to provide more guidance for a professional accountant in public practice to interpret the "reason to believe" threshold.</p> <p><i>Suggested paragraph based on the Network Firms section of the Explanatory Memorandum</i></p> <p>Potential conflicts of interest within a network of firms are evaluated when the professional accountant has reason to believe that a conflict of interest exists because of interests or relationships that another firm in the network has with a client. The "reason to believe" test requires the professional accountant to consider the facts available to the professional accountant at that time. The extent of client information exchanged will vary between different networks depending on legal and contractual constraints. It would, therefore, be disproportionate to require a firm before accepting a new engagement to undertake a search across the network to identify any interests or relationships that might create a conflict of interest if the firm has no reason to believe that any such interest or relationship would be a threat to its objectivity.</p>	BDO	<p>Supportive comment.</p> <p>The Task Force believes the paragraph provides sufficient guidance by including the professional services provided, the clients served by the network and the geographic locations of all relevant parties.</p>
181.	3	<p>We believe this is a vague statement open to interpretation and would benefit from greater clarity in the factors to consider. For example, the information obtained from referring party discussions with the client could be relevant factors to consider.</p>	RSM	<p>The Task Force believes the paragraph provides sufficient guidance by including the professional services provided, the clients served by the network and the geographic locations of all relevant parties.</p> <p>The information from the referring party could be taken into account as being available to the accountant.</p>
182.	3	<p>CPA Australia agrees that the 'reason to believe' threshold in evaluating potential conflicts of interest for network firms is appropriate. However, we are of the opinion that the examples of the factors that should be taken into account offered in paragraph 200.5, in addition to the 'the nature of the professional services provided and the clients served', should include the characteristics of the</p>	CPA Au	<p>Supportive comment.</p> <p>The Task Force notes that geographic location is still likely</p>

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		network and relevant parties and not the 'geographic locations of all relevant parties'. We see geographic location as becoming less relevant as an indicator of strength of relationships or interests.		to be relevant when evaluating the possibility of potentially conflicting relationships arising across the network.
183.	3	<p>Whilst the Institute agrees on the need to formulate a threshold which could lead to a "reason to believe", we do however, strongly suggest that any resulting conclusions possibly from applying this threshold principle, be properly supported with empirical evidence. In other words, any conclusion on the likelihood of conflict of interest being in-existence, should not solely arise from a mere suspicion, but rather, be properly justified with independent work being performed, e.g. conducting a search or due enquiry, etc. It is our view that no blanket recognition that a search across the network to identify any interests or relationships that might create a conflict of interest would be disproportionate.</p> <p>Further to the above-mentioned, the communication of non-exhaustive common indicators to the relevant parties would potentially offer better clarity with regard to instances requiring the exercise of this threshold; and more importantly a clear basis on the part of the regulators to assess the audit firm's thought process, if need be.</p>	MIA	"having made enquiries as appropriate" has been added.
184.	3	<p>Yes – We agree that the "reason to believe" threshold for network firms in evaluating conflicts of interest appropriate.</p> <p>In our understanding, there are two levels of identification of conflicts of interest: the firm level and the network level. We believe that the way the two levels of identification are presented is misleading, because the network firm perspective is presented as a sub-bullet point of a paragraph.</p> <p>Thus the firm level identification and the network level identification should be the subject of two different paragraphs.</p>	Mazars	<p>Supportive comment.</p> <p>The network level identification is now a separate paragraph.</p>
185.	3	Having reflected on this fully, AAT agrees that proportionality is key to managing the issue of conflicts of interest within network firms. AAT does not consider "reason to believe" is an appropriate threshold in isolation given its subjectivity, but is satisfied that, applied in conjunction with the proposed paragraph 220.4 (that being the reasonable and informed third party test), the provision is robust, proportionate, and can be objectively held to account.	AAT	Supportive comment, in conjunction with other paragraphs.

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186.	3	I think that this point can be occurred in case when related that some firm use your services for customer that is the same subject that could be occur fraud or others problems in the organization that don't have internal control about this services, network firms is aspect that can be occur conflicts of interest, as type of service, is important for IFAC don't have problems.	DSFJ	Respondent recognizes the difficulties of conflict identification within networks.
187.	3	We agree that it may not be practical for a firm to undertake a search across the network to identify any interests or relationships that might create a conflict of interest. However, the "reason to believe" threshold in paragraph 220.5 could create potential for abuse as it is subject to individual's judgment and in practice, the professional accountants might view that they do not have the onus to actively identify any plausible conflicts of interest that could exist. It might be useful to introduce added rigour such as, to subject the "reason to believe" threshold to the "reasonable and informed third party test" to encourage professional accountants to be alert and actively consider the existence of potential conflicts of interests that might exist within the network firms as viewed from a third party, rather than based on the individual's judgment.	ICPAS	Subjecting the "reason to believe" threshold specifically to the "reasonable and informed third party test" is a minority view, although that test underpins the entire section by virtue of paragraph 220.4.
188.	3	We believe the accountant should make inquiries of other firms within the network operating within the geographic area concerned. Conflicts that exist due to the interests and relationships of network firms should be evaluated and managed using the "reasonable and informed third party" standard used for the local firm.	CICA	Subjecting the "reason to believe" threshold to the "reasonable and informed third party test" is a minority view although that test underpins the entire section by virtue of paragraph 220.4..
189.	3	No. In our opinion, this threshold should be replaced with the "reasonable and informed third party" standard. In other words, the fifth bullet point of proposed paragraph 220.5 should read something along the lines of: "Evaluate any potential conflicts of interest that the professional accountant has reason to believe <u>a reasonable and informed third party would be likely to conclude</u> may exist due to ..."	SAICA	Subjecting the "reason to believe" threshold to the "reasonable and informed third party test" is a minority view although that test underpins the entire section by virtue of paragraph 220.4..
190.	3	We have some reservations about the "reason to believe" threshold. In particular we are not confident that this will necessarily be consistent with the expectations of a reasonable and informed third party. We believe such a third party would expect the professional accountant in public practice to make due enquiries before it would be possible to form a view that it was "reasonable to believe" that potential conflicts of interest did not exist. We therefore suggest that consideration be given to	KPMG	<u>"having made enquiries as appropriate"</u> has been added to strengthen the requirement.

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		qualifying the threshold by inserting the following text after the words “network firm” in the fifth bullet point of paragraph 220.5: “...having made enquiries as appropriate of other network firms, and...”.		
191.	3	<p>We agree that potential conflicts within a network of firms should be evaluated at a minimum when the professional accountant has reason to believe that a conflict of interest exists. The proposal as currently drafted requires the professional accountant to consider <i>only</i> the facts available to the professional accountant at the time, in recognition of the varying extent client information can be exchanged between different networks depending on legal and contractual constraints. We question whether variations in legal or contractual constraints should exempt the professional accountant from the responsibility to make reasonable efforts to investigate whether a potential conflict exists.</p> <p>In light of the truly global nature of business today including supply chains, trade flows and transactions, to consider only potential conflicts within the domestic confines of one firm without expanding the search throughout a network of firms, would seem to cast too narrow a net. Potential conflicts between firms and clients or between two clients are as likely to be international today as national yet the impact of the conflict whether local or cross border remains the same in the mind of the client. Although there may not be full transparency throughout a network and the result of an investigation to identify a conflict may not be fool-proof, we believe it is reasonable to expect that the professional accountant make suitable efforts to identify any potential conflicts throughout a network of firms and we believe this is what clients would expect.</p>	EYG	<p><u>“having made enquiries as appropriate”</u> has been added to strengthen the requirement, which achieves a similar effect.</p>
192.	3	<p>When discussing the question of the “reason to believe” threshold for network firms, the delegates of the FAR Ethics Policy Group found that there was uncertainty in the group as to the delimitation of the “reason to believe” threshold. In the Explanatory Memorandum (pp. 6 and 9) it is clearly stated that the professional accountant is essentially required to take into account information known at that time without any extensive investigations. FAR is of the opinion that this should be expressed clearly in the Code, or that a definition of the “reason to believe” threshold should be given in the Code.</p> <p>Under the provision that no extensive investigation is required of the professional accountant, FAR finds the “reason to believe” threshold for network firms appropriate.</p>	FAR	<p><u>“having made enquiries as appropriate”</u> has been added to strengthen the requirement, which achieves a similar effect.</p>
193.	3	<p>Our initial reading of the Exposure Draft raised concern over the use of the word “regardless” on page 6 of the Explanatory Memorandum. However, further analysis explains how the “reason to believe test” is perhaps a more appropriate standard (than the ‘knows or could reasonably be</p>	CARB	<p>Supportive comment.</p> <p><u>“having made enquiries as</u></p>

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		expected to know' standard) when taking into account the possible existence of legal and contractual constraints on the exchanging of information throughout the network firm. We believe there is a client expectation that firms within a network will check for conflicts throughout the network. Clients also do not appreciate the legal separation within a network firm and often view the network as a single entity. Therefore, whilst firms continue to market themselves in this way, the clients' expectations should be met where practicable. In summary, we agree that the 'reason to believe' threshold for network firms in evaluating conflicts of interest is appropriate with the understanding that there is an expectation to undertake a search across the network where it is practicable to do so.		<u>appropriate</u> " has been added to strengthen the requirement, which achieves a similar effect.
194.	3	We believe the revision made here is inconsistent with other provisions about network firms.	CICPA	Supportive comment. Respondent subsequently confirmed by email that the response should have read: We believe the revision made here is consistent with other provisions about network firms. We agree with the revision made here.
195.	3	<p>Response: Not necessarily</p> <p>While it is appreciated that practical challenges might exist in meeting the requirements of the last bullet point in this paragraph, relating to network firms, , we believe that the professional accountant should do more than simply having a 'reason to believe' that potential conflicts have been identified, for example by adding in bullet point 5:</p> <p><i>"... that the professional accountant has 'reason to believe" <u>based on evidence obtained, having taken reasonable steps to establish the facts and circumstances, may exist due to ..</u> "</i></p> <p>It must be recognised that such a requirement to establish some evidence to support the basis for having " <i>reason to believe</i>" presumes that firms have, or must establish, a system to identify and address such adversarial conflicts when dealing with clients. Such systems are likely to require considerable and sophisticated IT resources and disciplines to track and enforce due consideration throughout all the network firms.</p>	IRBA	<p><u>"having made enquiries as appropriate</u> " has been added to strengthen the requirement, which achieves a similar effect.</p> <p>However Task Force believes it is not appropriate to mandate the establishment of certain systems and the gathering of certain evidence, for example because of variety of networks in existence. In some networks, for example, the legal and</p>

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				contractual constraints operate to limit the exchanging of information throughout the network.
196.	3	<p>We do not find the “reason to believe” threshold for network firms in evaluating conflicts of interest to be appropriate. We believe that the professional accountant who is with a firm that is a member of a network should consider facts known by the professional accountant. We agree that it would be disproportionate to require a firm, before accepting a new engagement, to undertake a search across the network to identify any interest or relationship that might create a conflict of interest.</p> <p>The use of the phrase “reason to believe” in the context of the factors to be considered (i.e., the nature of the professional services, the clients served and the geographic location of all relevant parties) suggests that the professional accountant is required to make something akin to an educated guess regarding whether a conflict of interest exists or might be created because of such factors. We support the intent of the Board as stated in the impact analysis⁴ but are of the view that the “reason to believe” threshold does not accomplish that intent. Wording such as “knows” better reflects what we believe is the appropriate threshold and it seems to be consistent with what the Board intended.</p>	DTT	This is a minority view. Most respondents who disagreed with the proposal argued that it was not weak, rather than too strong.
197.	3	<p>In identifying whether a conflict of interest exists or may be created, and evaluating the significance of any threat to objectivity or compliance with <u>or</u> other fundamental principles, in particular before accepting a new client relationship, engagement, or business relationship, a professional accountant in public practice shall:</p> <ul style="list-style-type: none"> • Understand the nature of the relationships between the parties involved and any relevant interests; • Understand the nature of the service and its implication for relevant parties; • Evaluate the significance of relevant interests and <u>and</u> or relationships. In general, the <u>greater the significance of the relevant interests</u> and <u>the</u> more direct the relationship between the professional service and the matter on which the clients’ interests are in conflict, the more significant the threats may be; 	DTT	This paragraph has been substantially changed but the insertion of <u>greater the significance of the relevant interests</u> has been made.

⁴ The impact analysis states that the requirement for the professional accountant to evaluate threats that he or she has reason to believe exist essentially requires the accountant to evaluate information **known** at that time.

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		<ul style="list-style-type: none"> Evaluate the extent to which a professional service performed for more than one client may result in a conflict of interest; and Evaluate any potential conflicts of interest that the professional accountant <u>knows</u> has reason to believe may exist due to interests and relationships of a network firm, taking into account factors such as the nature of the professional services provided and the clients served, and the geographic locations of all relevant parties. <p><i>Note: The suggested edits in the third bullet point clarify that the significance of the interests impacts the significance of the threats. The proposed edit in the last bullet point is explained in our response.</i></p>		
198.	3	We believe that the evaluation of conflicts of interest in relation to network firms should be strengthened. The proposed "reason to believe" only requires the firm to consider facts available without a requirement to confirm or dispel this belief. It would be more appropriate to have a "reasonably expected to know" threshold which would require the firm to actively monitor potential conflicts. We recognize this threshold may require networks to invest in improvements to processes and systems.	CPAB	The majority of respondents support the "reason to believe" threshold which has been strengthened by the addition of "knows or".
199.	3	No, the NZAuASB believes that the "reason to believe" requirement is too low a threshold for an assurance engagement. We urge the IESBA to consider distinguishing between assurance engagements and other activities. We recommend the use of wording such as "knows or could reasonably be expected to know" for an assurance engagement. We further recommend that at a minimum the assurance provider should be required to make some enquiry (for example by way of an email) of all member firms in the network whether they are aware of any relationships or interest that should be evaluated. We believe that this avoids the situation where the assurance provider should have known that a conflict existed.	NZAuASB	The majority of respondents support the "reason to believe" threshold which has been strengthened by the addition of "knows or".
200.	3	Refer to our comments in the covering letter. (See end of this document for diagram)	Auditor-General, NZ	See proposed resolution of respondent's comments above.
201.	3	No specific comments to make in response to this question.	CIMA	N/A

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202.	3	No specific comments.	PAIBC	N/A
203.	4. Do respondents find the guidance concerning safeguards to manage conflicts of interest and obtaining and documenting consent, as set out in paragraph 220.7, appropriate?			
204.	4	Yes.	AAT	Supportive comment.
205.	4	Yes, we believe this to be appropriate.	ICAS	Supportive comment.
206.	4	I observed that the paragraph 220.7 is appropriate in relation a manage conflicts of interest and obtaining and documenting consent.	DSFJ	Supportive comment.
207.	4	Yes the guidance concerning safeguards to manage conflicts of interest and to obtain and document consent from the party is appropriate.	ICAP	Supportive comment.
208.	4	We generally do agree that the proposed safeguards to manage conflicts of interest and obtaining and documenting consent, as set out in paragraph 220.7, to be appropriate. Documenting the consent is vital for professional accountant in public practice.	ZICA	Supportive comment.
209.	4	We would concur with the general principle of documenting consent and also with seeking third party guidance as appropriate.	CIMA	Supportive comment.
210.	4	We find that the guidance to managing conflicts of interest and obtaining consent is appropriate as these are largely similar to the requirements in the extant Code. The extant Code did not require encouraging the professional accountant to document such consent. Hence, the new requirement would provide added robustness to the Code. As such we are agreeable to the guidance in paragraph 220.7.	ICPAS	Supportive comment.
211.	4	Yes, we do. While we believe that when a conflict of interest exists, it is common to obtain the consent from any relevant parties before performing professional services as a safeguard, we find it desirable to obtain and document the consent, as an evidence for future reference.	JICPA	Supportive comment.

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212.	4	Yes, we find the guidance concerning safeguards set out in paragraph 220.7 to be appropriate. We do, however, recommend the addition of one further suggested third party that might be consulted – that of legal counsel – in addition to consulting with a professional regulatory body or another professional accountant.	CGA	Supportive comment. Change made
213.	4	In general terms we do find safeguards set out in paragraph 220.7 to be appropriate. However, in the last dot point there is a reference to “professional regulatory body”. We question whether this should read “professional or regulatory body”.	ICAA	Supportive comment. Change made.
214.	4	The second sentence of paragraph 220.7 states that it is “generally necessary to disclose the nature of the conflict to the client...”. It is not obvious to us whether this is intended to include circumstances where general consent to provide professional services in defined circumstances is obtained through the engagement contract. Clients usually find this approach convenient as it avoids the need for them to give specific consent both for each existing conflict and for any future potential conflicts on every occasion. We believe the second sentence should be clarified to reflect this point because as it stands it implies that a more explicit form of consent is necessary than that which is usually found in engagement contracts.	KPMG	The sentence has been revised to remove the word “written” and a subsequent sentence states that consent may be verbally or in writing. Consent may also be general or explicit. Standard terms and conditions, as an example of a general consent, has been added.
215.		In our view, the wording of paragraph 220.7 of the ED as drafted does not make it sufficiently clear that a letter of engagement including a non-exclusivity engagement clause shall be seen as a means to “obtain written consent from the client to perform the professional service”. Our understanding is that having such a letter of engagement in place would cover the written consent referred to in paragraph 220.7 of the ED, both for any existing conflicts of interest at the time of signing the letter of engagement and any potential conflicts of interest that may materialised after the letter of engagement has been signed. It would be helpful for the wording in paragraph 220.7 of the ED to be amended in order to reflect this clarification.	FEE	Change made
216.	4	We would consider it helpful to obtain further guidance about the way and the format of how written consents are to be obtained. For example, does the specification of non-exclusivity in the engagement letter meet the requirement in 220.7?	WPK	Change made

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217.	4	It should be mentioned that having a letter of engagement in place – including a non-exclusivity engagement clause - would normally cover the written consent regarding existing and potentially new conflicts.	FSR	Change made
218.	4	<p>Additionally it would be helpful to differentiate between potential conflicts and actual conflicts more clearly in 220.7. In this context guidance would be helpful about</p> <ul style="list-style-type: none"> • measures to avoid that potential conflicts become actual conflicts and • mandatory measures in case of actual conflicts. 	WPK	The Task Force is of the view that contemplating an activity or service does not create a threat. The threat is only created when the activity or service is accepted.
219.	4	Furthermore, we note that the difference between the distinct actions that a professional accountant shall take with regard to potential conflicts of interests and in situations where such conflicts exist might not be clear in the current text of the ED. The fact that the professional accountant shall take reasonable steps to identify circumstances that might create conflicts of interest, evaluate their significance and apply safeguards to eliminate them or reduce them to an acceptable level, are the actions needed to “identify a potential conflict of interest” and to avoid that it becomes a real one. Actions such as the disclosure of the nature of the conflict to the client/all relevant parties and obtaining written consent from them, relate to potential conflicts of interest and existing ones. It would be helpful to amend the text in of the ED as necessary to make this differentiation clearer.	FEE	The Task Force is of the view that contemplating an activity or service does not create a threat. The threat is only created when the activity or service is accepted.
220.	4	As currently drafted para 220.7 does not make a distinction between the managing of an existing conflict of interest and a potential conflict of interest. This should be clarified.	CARB	The Task Force is of the view that contemplating an activity or service does not create a threat. The threat is only created when the activity or service is accepted.
221.	4	<p>Yes, though having regard to the usefulness of the code to SMPs, it might be helpful to:</p> <ul style="list-style-type: none"> • put what is currently the last safeguard (the only one present that could be applied by a 	ICAEW	Supportive comment.

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		<ul style="list-style-type: none"> small practice) first; and add review by a third party as a safeguard. 		Consulting with a third party is included as a safeguard.
222.	4	<p>We agree with the suggested guidance and safeguards as set out in paragraph 220.7. We would in addition suggest that oral or written consent of the client should be documented in all cases.</p> <p>Furthermore, we believe that documenting a potential conflict of interest should be encouraged by the Code.</p>	CNCC-CSOEC	<p>Supportive comment.</p> <p>The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.</p>
223.	4	<p>We believe that the guidance is reasonable and appropriate and makes business sense as it protects the reputation of the firms. It may in practice be difficult given that the firm may have to turn away lucrative business opportunities where a client tends to be unreasonable after disclosure despite the safeguards, that said the standard is correct in terms of ethical business practice and provides for the reasonable third party test in a case that may arise. The mechanisms and safeguards must be documented and auditable in case a dispute arises at a later stage.</p>	SAICA	<p>Supportive comment.</p> <p>The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.</p>
224.	4	<p>Furthermore, the proposed revisions in section 220.7 encourage the professional accountant to document the consent obtained either verbally or implicitly by the party's conduct. We recommend that the IESBA require the professional accountant to document consent obtained in such situations.</p>	GT	<p>The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.</p>
225.	4	<p>We are in agreement with the fact that it is not necessary to obtain written consent, one can obtain it verbally but needs to document it properly.</p> <p>Regarding the examples given of other safeguards, we consider the second one (second bullet-point) to be too long, which in the long run may create the need to give guidance on examples.</p> <p>We do not agree with seeking guidance of third parties, such as consulting with regulatory bodies or another professional accountant, as a safeguard because we consider that managing conflicts of interest is finally a business decision.</p>	Mazars	<p>The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.</p> <p>The second bullet has been broken into sub-bullets.</p> <p>Seeking third party advice is included as a safeguard elsewhere in the Code.</p>

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226.	4	We believe the requirements with respect to consents outlined in paragraph 220.7 should be strengthened. As drafted, the professional accountant is permitted to rely on implied consents or verbal consents from clients or other parties. There is also no requirement to document consents; rather the professional accountant is only “encouraged” to provide such documentation. It is our view that consents should be in writing. However, should the IESBA conclude that implied or verbal consents are acceptable, we do not see any reason why such consents should not be documented.	CPAB	The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.
227.	4	The suggestion in the proposed paragraph 220.7 that: <i>“If the consent is obtained verbally or is implied by the party’s conduct, the professional accountant is encouraged to document such consent.”</i> We believe that in all instances where consent is obtained verbally or is implied, the professional accountant <i>“shall document”</i> rather than simply being <i>“encouraged to document”</i> such consent. Given the adversarial conflict situation, the professional accountant and firm might well be challenged in the future and have to defend allegations that the fundamental principles were compromised by continuing to provide the professional services, albeit with the client/s verbal or implied consent.	IRBA	The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.
228.	4	The third bullet in paragraph 220.7 uses as an example seeking guidance from a ‘professional regulatory body’. We recommend that this be changed to ‘professional body’ as audit regulators are mostly independent and would not generally consult with auditors.	IRBA	Change made
229.	4	The ED includes as an example of a safeguard “seeking guidance of third parties, such as consulting with a professional regulatory body or another professional accountant”. It should be noted that any such consultation be on a “no names” basis to protect client confidentiality. Where this is not possible, the accountant’s only option should be to seek legal advice, where solicitor-client privilege will protect the confidentiality of the information.	CICA	The Fundamental Principle of Confidentiality requires that client confidentiality be maintained. Legal counsel added.
230.	4	The guidance is generally appropriate. However, consulting with a regulatory professional body or another professional accountant does not of itself constitute a safeguard. This form of consultation should be encouraged but as currently worded would risk these professional bodies being expected to determine whether a conflict of interest exists.	Kreston	Supportive comment. The Task Force is of the view that consultation does not create

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				an obligation on the consultee to determine the appropriate course of action.
231.	4	<p>The guidance set out in paragraph 220.7 is generally clear and appropriate. We have a number of comments:</p> <ul style="list-style-type: none"> We believe it may be helpful to illustrate the third sentence of paragraph 220.7 (consent implied by a party's conduct) with one or more examples, as we are not persuaded that this concept is otherwise clear. (A similar illustration may be beneficial in paragraph 310.5.) 	KPMG	<p>Supportive comment.</p> <p>The concept of implied consent has been clarified.</p>
232.	4	<p>We believe the proposal should include examples of situations where the consent "may be implied by the party's conduct, in keeping with common commercial practice".</p>	CICA	<p>The concept of implied consent has been clarified.</p>
233.	4	<p>It is not clear just how the consent "<i>may be implied</i>" in the proposed paragraph 220.7: "<i>In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice.</i>"</p> <p>Accepting consent as "<i>implied by party's conduct</i>", we consider may be insufficient to ensure that all relevant parties have a complete understanding of the relationship and circumstances that are prevalent. Perhaps examples of such circumstances might be provided.</p>	IRBA	<p>The concept of implied consent has been clarified.</p>
234.	4	<p>The guidance concerning safeguards to manage conflicts of interest and documenting consent seems appropriate; however paragraph 220.7 could be clearer regarding the necessity of obtaining written consent. We are unclear whether the IESBA believes it is generally necessary for professional accountants in practice to obtain written consent with the exception of certain circumstances where consent may be verbal or implied (i.e. the professional accountant shall obtain written consent unless ...). If this is the intention, then some guidance around the circumstances where verbal or implied consent is acceptable would be useful. We are of the opinion that written consent is always preferable although we accept there may be situations where consent is verbal or implied.</p> <p>We believe that the example safeguards noted in paragraph 220.7 are appropriate.</p>	BDO	<p>Supportive comment.</p> <p>Disclosure and consent have been clarified.</p> <p>The concept of implied consent has been clarified.</p> <p>Disclosure might be general (e.g. through terms and conditions) or specific (e.g. in scope paragraphs within an engagement letter). Disclosure</p>

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				might be verbal, but for protection of accountant it is preferable to confirm it in writing.
235.	4	<p>FAR finds the guidance concerning safeguards to manage conflicts of interest and obtaining and documenting consent, as set out in paragraph 220.7, essentially appropriate. However, in the third sentence of the first paragraph it is stated that in “certain circumstances the consent obtained from any relevant party may be implied by the party’s conduct in keeping with common commercial practice.” FAR finds that guidance as to what such circumstances might be is needed, in order to prevent diverse application of this exception.</p> <p>Furthermore, FAR finds that the word “obtained” in the same sentence is contradictory when speaking about a consent that is implied by the conduct of the party. FAR suggests that “obtained” be exchanged to the word “received”.</p>	FAR	<p>Disclosure and consent have been clarified.</p> <p>The concept of implied consent has been clarified.</p> <p>Implied consent sentence redrafted to avoid this.</p>
236.	4	Further it may be considered to create a separate paragraph on implicit consent.	NBA	<p>Disclosure and consent have been clarified.</p> <p>The concept of implied consent has been clarified.</p>
237.	4	<p>Specifically, the following sentence could be expanded upon:</p> <p><i>‘In certain circumstances the consent obtained from any relevant party may be implied by the party’s conduct in keeping with common commercial practice.’</i></p> <p>An example of relevant ‘conduct in keeping with common commercial practice’ would be of benefit.</p>	ACCA	<p>Reference to common commercial practice has been clarified.</p> <p>The concept of implied consent has been clarified.</p>
238.	4	<p>Generally, we think the approach used when obtaining written consent from the client is appropriate. Detailed comments are as follows:</p>	CICPA	Supportive comment.

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		It is mentioned in the Exposure Draft that “in certain circumstances the consent obtained from any relevant party may be implied by the party’s conduct in keeping with common commercial practice”, we think the meaning of “the party’s conduct in keeping with common commercial practice” is unclear and wish more explanation be made. Besides that, we wish further guidance about “certain circumstances” be made by IESBA.		Reference to common commercial practice has been clarified. The concept of implied consent has been clarified
239.	4	We consider the guidance concerning safeguards set out in paragraph 220.7 to be generally appropriate. However, we would recommend the IESBA to reword the guidance on “in certain circumstances the consents obtained from any relevant party may be implied by the party’s conduct in keeping with common commercial practice”. The wording of the proposed guidance is so vague that different wordings should be used to describe the intention of the Exposure Draft.	HKICPA	Supportive comment. The concept of implied consent has been clarified
240.		We are not sure why the safeguards listed in the extant Code at paragraph 220.4 (c) and 220.4 (e) have been dropped from the proposed text. We consider these safeguards to be particularly important and it would therefore be useful to retain them in the Code.	KPMG	They have been re-instated and added to the safeguards.
241.	4	We find this appropriate. Our view is that the safeguards for the Professional Accountant in Business pretty well covers the instances of conflict of interest. However, we feel that as far as the Professional Accountant in Practice, more attention needs to be devoted to conflicts of interest as far as estate and succession planning is concerned.	SAIPA	Supportive comment. The Task Force does not recognize this situation as an example of a conflict of interest.
242.	4	The ED proposes “It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service. <u>In certain circumstances</u> the consent obtained from any relevant party may be implied by the party’s conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party’s conduct, the professional accountant is encouraged to document such consent”. Whilst we agree that it is generally appropriate to obtain written consent to act, we believe that the clarity of this paragraph could be enhanced. Further the words “In certain circumstances” imply that	PwC	The concept of implied consent has been clarified.

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		<p>the Board feels that there are limited circumstances in which consent can be obtained other than in writing but does not provide any guidance thereon. We recommend that this is amended to:</p> <p>“It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain consent from the client and such parties to perform the professional service. Such in certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally, or is implied by the party's conduct, the professional accountant is encouraged to document such consent”.</p> <p>We do not believe that the disclosure to the client (or other party) need necessarily name the other parties. This information is often not relevant to the client's decision to permit the firm to act.</p> <p>The third example safeguard “Seeking guidance of a third party.....” does not appear to be a safeguard at all but should ideally be mentioned more as general guidance to the accountant “if there is doubt”.</p>		<p>This safeguard is used elsewhere in the Code.</p>
243.	4	<p>We believe the guidance is appropriate.</p> <p>In addition to the safeguards noted here the current Institute of Chartered Accountants in England and Wales’ Code includes the following “the professional accountant shall ensure that the adequacy and effectiveness of the barriers are closely and independently monitored and that appropriate disciplinary sanctions are applied for breaches of them. The overall arrangements shall regularly be reviewed by a designated senior partner.” We believe the Board should consider adding similar wordings to the new proposed Code.</p>	RSM	<p>Supportive comment.</p> <p>Change made.</p>
244.	4	<p>The examples of the safeguards in paragraph 220.7 may need to be reconsidered, as independence might still be, or be perceived to be, compromised when different teams are used or mechanisms to prevent unauthorised disclosure are implemented. It is still one firm providing the services to different clients.</p>	IRBA	<p>A cross reference to independence has been made.</p>
245.	4	<p>The ICJCE considers that Paragraph 220.7 is confusing since actions to avoid conflicts of interest, safeguards to be applied when such a conflict is detected and other safeguards are included together.</p>	ICJCE	<p>Safeguards have been moved to a separate paragraph.</p>

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		We would like to suggest IESBA to re-write this paragraph making clear suggested actions and guidance to leave the auditor the decision on which safeguard should apply to deal with each one of these different situations depending on his specific circumstances.		It is the view of the Task Force that it is for the professional accountant to use their judgment in determining which safeguard is applicable in each circumstance. In addition, the safeguards are examples and are not intended to be a list of all safeguards.
246.	4	<p>CPA Australia is of the opinion that Paragraph 220.7 will have more clarity if the order in which issues are presented is reviewed. The issue of consent is presented between the requirement to 'evaluate the significance of the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest and shall apply safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level', and examples of other safeguards. We suggest that obtaining and documenting consent is presented either in a different paragraph or after the guidance on safeguards and examples is completed.</p> <p>The second example of safeguards included in paragraph 220.7 is: 'Implementing mechanisms to prevent unauthorized disclosure of information when performing professional services for two or more clients with conflicting interests.' This example can be rephrased so as not to give the impression that unauthorized disclosure of information and mechanisms to prevent it are only relevant when there are conflicts of interests.</p>	CPA Au	<p>Disclosure and consent have been clarified.</p> <p>The Fundamental Principle of Confidentiality applies generally.</p>
247.	4	<p>Grant Thornton believes the proposed guidance concerning safeguards to manage conflicts of interest and obtaining and documenting consent, as set out in paragraph 220.7, is appropriate.</p> <p>However, in paragraph 220.7 the proposed guidance states "it is generally necessary to disclose the nature of the conflict to the client and <i>all known relevant parties</i> and obtain written consent from the client and such parties to perform the professional service". As demonstrated by the examples discussed in section 220.2, conflicts of interest arise between the client(s) and the professional accountant. In such situations, the professional accountant would disclose the conflict of interest to the client(s) and obtain their consent.</p> <p>As such, it is unclear as to who would be considered to be a relevant party outside of the client. In</p>	GT	<p>Supportive comment.</p> <p>"All known relevant parties" has been deleted and replaced with "all clients affected by the conflict"</p>

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		order to provide greater clarity, we recommend that the IESBA provide additional guidance on who they consider a <i>"relevant party"</i> and how the professional accountant would identify such parties.		Change made: "affected by the conflict" has been added.
248.	4	<p>We believe that, when a conflict of interests arises, the transparency requirement the practitioner has to comply with is particularly effective and obliges the professional to make the client as informed possible on the extent of such conflict, through a complete and effective disclosure.</p> <p>However, it is appropriate to specify that:</p> <ul style="list-style-type: none"> - the practitioner, in explaining to clients and all known relevant parties the nature of the conflict, clearly indicates its extent and characteristics, as well as the concrete circumstances in which it develops and the consequences thereof; 	CND-CEC	Change made: "disclosure.....sufficient to enable the client to make an informed decision" has been added to the paragraph.
249.	4	In reading the paragraph we get the impression that except for limited situations (as set out in 220.8) the clients and other relevant parties should be informed of the conflict of interest, and preferably written consent should be obtained, before proceeding. Further the paragraph provides – as we understand - additional safeguards referred to as examples of other safeguards. We recommend to split the paragraph at least into two paragraphs and use different wording to explain that these safeguards are no alternatives (but safeguards in addition to the written consent) to avoid that professionals might misunderstand the intentions of this paragraph.	NBA	Safeguards have been moved to a separate paragraph.
250.	4	<p>In addition, we believe it would be useful to split paragraph 220.7 of the ED into three distinct parts:</p> <ul style="list-style-type: none"> – the first part would comprise the first two sentences (including the provision to obtain written consent); – the second part including the third and four sentences (referring to the certain circumstances where consent obtained may be implied by the party's conduct or obtained verbally); and – the last part to cover the examples of other safeguards. 	FEE	Paragraph 220.7 has been split into two. Disclosure and Consent have been clarified. Examples of safeguards are contained in a separate paragraph.
251.	4	Furthermore, we suggest this paragraph be separated to reflect the three distinct areas covered – requirement to evaluate the significance of the conflict of interest – the need to disclose to the client and obtain consent – examples of possible safeguards.	IDW	Paragraph 220.7 has been split into two. Disclosure and Consent have been clarified. Examples of safeguards are contained in a separate paragraph.
252.	4	We like to emphasize – as mentioned in the FEE comment letter – that paragraph 220.7 contains several important messages and that it might be better to split the paragraph into e.g. three distinct	FSR	Paragraph 220.7 has been split into two. Disclosure and Consent

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		parts. Especially, the sentence on “obtaining written consent” from the client/all relevant parties to perform or continue performing the professional service seems to be important and should, therefore, be elaborated further.		have been clarified. Examples of safeguards are contained in a separate paragraph.
253.	4	FAR shares FEE’s view (see paragraph (10) of FEE’s comments to the IESBA) that it would be useful to split paragraph 220.7 into three parts.	FAR	Paragraph 220.7 has been split into two. Disclosure and Consent have been clarified. Examples of safeguards are contained in a separate paragraph.
254.	4	While we find the guidance appropriate, we believe that improvements could be made to enhance clarity. It would be appropriate to move all the text relating to obtaining consent to act to a separate paragraph, as it makes the existing paragraph 220.7 lengthy and unnecessarily complicated.	ACCA	Supportive comment. Paragraph 220.7 has been split into two. Disclosure and Consent have been clarified. Examples of safeguards are contained in a separate paragraph.
255.	4	There is also concern that para 220.7 (when read in isolation) may encourage the misuse of consent. Consent cannot be taken as a dispensation. Regardless of whether or not consent is obtained, in certain circumstances where a conflict exists, the professional accountant should not continue to act. Such circumstances are summarised in para 220.9 but this is not obvious within para 220.7.	CARB	The paragraph has been promoted earlier in the section to give it greater emphasis.
256.	4	We fully support efforts to increase transparency and generally agree with the proposed guidance concerning safeguards to manage conflicts of interests and obtaining and documenting consent. However there appears to be an inconsistency between Sections 220.5 and 220.7 of the Code and we suggest the following modification. Section 220.5 states that generally when identifying whether a conflict of interest exists, a professional accountant in public practice shall <i>“Evaluate the significance of relevant interests and relationships.”</i> Whereas Section 220.7 states <i>“It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service.”</i> We believe the concept of significance has been omitted from this sentence and the language as drafted would require written consent in considerably more situations than intended. We suggest Section 220.7 be clarified to read: <i>“It is generally necessary to disclose the nature of the conflict, other than where the threat of the conflict arising is clearly insignificant to the client.”</i>	EYG	Supportive comment. “The professional accountant shall determine whether the significance of the conflict of interest is such that specific disclosure and consent is necessary” has been added.
257.	4	The guidance contained in paragraph 220.7 concerning safeguards to manage conflicts appears	Assirevi	Supportive comment.

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		<p>appropriate.</p> <p>However, when obtaining and documenting consent, we believe that the current wording may result in consent being required in situations when it is not necessary. This is particularly true if the definition in paragraph 220.1 remains unchanged. The statement in 220.7 that it is "generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent" appears excessive when 220.1, as currently worded, appears to define conflicts very broadly. It is also inconsistent with the first sentence of 220.7 which requires the professional accountant to evaluate the significance of the threat. We suggest that the wording in paragraph 220.7 be adjusted such that the disclosure of the conflict to the client and to all known relevant parties: (i) should be required depending upon the circumstances giving rise to the conflict and (ii) is generally necessary unless the threat is clearly insignificant.</p>		<p>The description has been clarified.</p> <p>"depending upon the circumstances giving rise to the conflict" and</p> <p>"The professional accountant shall determine whether the significance of the conflict of interest is such that specific disclosure and consent is necessary"</p> <p>have been added</p>
258.	4	<p>The guidance in paragraph 220.7 would be appropriate in most circumstances.</p> <p>However, there is a presumption that an engagement can be accepted, if a COI exists, as long as the safeguards in paragraph 220.7 are applied. In our view, the guidance should acknowledge that there will be some circumstances where the COI is too great and that the engagement should be declined, even if the safeguards in paragraph 220.7 were applied.</p>	Auditor-General, NZ	<p>Supportive comment.</p> <p>This situation is now recognized and included early in the Section for prominence.</p>
259.	4	<p>APESB finds the guidance as set out in paragraph 220.7 appropriate, except for the removal of the safeguard pertaining to 'a senior individual not involved with the relevant client engagements reviewing the application of safeguards', which is included at paragraph 220.4(e) of the extant Code. APESB suggests retaining in the revised Code the safeguard which supports the development of risk management practices through peer review.</p>	APESB	<p>Supportive comment.</p> <p>This safeguard has been retained.</p>
260.	4	<p>Our main points arise in relation to the following: Tightening up the provisions in relation to disclosure of the nature of the conflict to relevant parties. Generally if there is a reason why the professional accountant would not wish to disclose the nature of the conflict to one party, then it is likely that they should not be carrying out the engagement in</p>	APB	<p>The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when</p>

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		<p>question.</p> <p><i>Disclosing the nature of a conflict and obtaining written consent</i></p> <p>APB believes that disclosing the nature of a conflict to all relevant parties is a necessary condition for a professional accountant in public practice to undertake a conflicting engagement. Specific consent should therefore be obtained for individual assignments to be carried out, as envisaged in paragraph 220.7, rather than on a generic basis.</p>		necessary and disclosure is additional to the safeguards.
261.	4	<p>Paragraph 220.7 of the proposal states it is generally necessary to disclose the nature of the conflict to the client and obtain written consent. We believe it is <u>always</u> necessary to disclose a conflict to all affected parties, and this disclosure should be in sufficient detail to allow each affected party to make a reasonable and informed decision. Such disclosure should include the nature of the conflict and the safeguards that exist or will be put in place to manage it. However, we do not believe it is always necessary to obtain consent in writing. While written consent is preferable to verbal consent, and is particularly valuable when the conflict involves a dispute between the parties, verbal consent that is appropriately documented in the accountant's files is, in our view, sufficient.</p>	CICA	The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.
262.	4	<p>No. We believe that if the threats to objectivity and other fundamental principles are not at an acceptable level, then disclosure and consent should be a requirement. The only exception should be when disclosure would result in a breach of confidentiality. We believe disclosure and consent is necessary to protect the public interest and allow for transparency. Once disclosure is made and consent is obtained, the professional accountant may implement other safeguards to eliminate or reduce threats to an acceptable level, if necessary.</p> <p>In addition, we believe that the professional accountant should have flexibility in determining whether verbal or written consent is appropriate based on the circumstances. We agree, with the statement that "if the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent."</p> <p>Specifically, we recommend that Paragraph 220.7 should be revised as follows (additions in <i>bold italics</i>, deletions struck through):</p> <p style="padding-left: 40px;">The professional accountant in public practice shall evaluate the significance of the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest. and shall apply safeguards, when necessary, to eliminate the threat or reduce it to <i>If the threats are not at</i> an acceptable level. It is generally necessary to, the</p>	AICPA	The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.

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		<p>professional accountant shall disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service and apply additional safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level. In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent. Examples of other safeguards include:</p> <p>We believe this same requirement should also apply to professional accountants in business in Section 310.</p>		
263.	4	<p>However, in paragraph 220.7, there is no <u>requirement</u> to disclose the nature of the conflict to and gain written consent from the client and all known relevant parties, as the introductory words which are used in this part of the paragraph are 'It is generally necessary'. It is difficult to see when disclosing the nature of the conflict and gaining written consent should not be required. If there is a reason why the professional accountant would not wish to disclose the nature of the conflict to one party, then it is likely that they should not be carrying out the engagement in question. APB therefore believes that this part of the paragraph should be accompanied by the word 'shall' to denote a requirement so that consent is always obtained in writing.</p>	APB	<p>The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.</p>
264.	4	<p>We believe the requirements with respect to consents outlined in paragraph 220.7 should be strengthened. As drafted, the professional accountant is permitted to rely on implied consents or verbal consents from clients or other parties. There is also no requirement to document consents; rather the professional accountant is only "encouraged" to provide such documentation. It is our view that consents should be in writing. However, should the IESBA conclude that implied or verbal consents are acceptable, we do not see any reason why such consents should not be documented.</p>	CPAB	<p>The Task Force is of the view that informed written consent is not required in all cases. It recognizes that consent may be general, specific or implied, and verbal, written or implied.</p>
265.	4	<p>We find the guidance concerning safeguards to manage conflicts of interest and obtaining and documenting consent helpful and enhance the transparency.</p> <p>We do however, suggest that such consent must be an informed written consent from client.</p>	MIA	<p>Supportive comment.</p> <p>The Task Force is of the view that informed written consent is not required in all cases. It recognizes that consent may be general, specific or implied, and</p>

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				verbal, written or implied.
266.	4	the consent of the client and the above mentioned parties should be written and also typographically emphasized (for instance, in bold characters).	CND-CEC	The Task Force is of the view that informed written consent is not required in all cases. It recognizes that consent may be general, specific or implied, and verbal, written or implied.
267.	4	Finally, we do not believe that even where it is determined that obtaining consent is appropriate, the professional accountant should be required to obtain such consent in writing. Not only could this be enormously burdensome, particularly in view of the proposed description of a conflict of interest, it may be quite unnecessary in many instances. Standard terms and conditions that accompany engagement letters often contain language that operates to clear any potential conflict of interest. Moreover, the professional accountant should be able to exercise professional judgment, based on the particular facts and circumstances, in determining whether written or another form of consent is appropriate. For these reasons, we are strongly opposed to the presumption that written consent is the preferable form of consent.	DTT	The Task Force is of the view that informed written consent is not required in all cases. It recognizes that consent may be general, specific or implied, and verbal, written or implied.
268.	4	<p><i>Appropriateness of proposed safeguards</i></p> <p>The first sentence of paragraph 220.7 requires an evaluation of the significance of the conflict of interest. The second sentence states: "It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service." The last sentence provides examples of other safeguards. Taking this paragraph as a whole and in conjunction with paragraph 220.10, it appears that the IESBA views disclosing the nature of the conflict to the client and all known relevant parties and obtaining their consent as a safeguard.</p> <p>In our view client consent on the basis of disclosure of the "nature of the conflict" as this paragraph</p>	IDW	"together with any planned safeguards, sufficient to enable the client to make an informed decision with respect to the matter" has been added.

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		<p>proposes cannot be a safeguard. Such consent would be merely a waiver – i.e., the client waives the right to have the professional accountant act in his or her interests thus “removing” the conflict. Unless the conflict is insignificant, this would neither be in the client’s nor in the professional accountant’s interest. Rather than disclosing the nature of the conflict to the client and other relevant parties, the <u>significance</u> of a particular conflict of interest ought to be disclosed <u>together with</u> any planned <u>safeguards</u>. Consent obtained on this basis would mean that the client and all known relevant parties will have, in essence, confirmed that – in that client’s/relevant party’s view – either the conflict is not significant, or the conflict can be eliminated or reduced to an acceptable level. We are concerned that if consent were viewed as a safeguard, or potentially the ultimate safeguard, professional accountants would not feel the need to take further steps to introduce any “other safeguards” including those outlined in the last sentence of 220.7 and 220.10.</p>		
269.	4	<p>Safeguards Disclosing the nature of a conflict and obtaining written consent is not a safeguard for the professional accountant. While it ensures that the interests of the other relevant parties are safeguarded, it does not mitigate any threats to the fundamental principles which arise from the conflict of interest. We recommend that the requirement to apply safeguards and the examples of these safeguards are separated from this requirement in order to make this clear. This is particularly important in paragraph 310.5 where obtaining consent is included specifically as a safeguard. In addition, the word ‘other’ should be removed from the lead-in to the bullet points in paragraph 220.7.</p> <p>The safeguards that are listed in paragraphs 220.7 and 310.5 are not especially strong. For example, the last bullet point in paragraph 220.7 could be amended to make it clear that the third party providing guidance would be reviewing the work performed to ensure key judgments and decisions have been made properly and effectively. Similarly the second bullet point in paragraph 310.5 could be expanded to create two examples which include more detail on the type of oversight envisaged.</p>	APB	<p>The safeguards have been moved to a separate paragraph and the word “other” has been removed.</p> <p>“Having a professional accountant who is not involved in providing the service or otherwise affected by the conflict review the work performed to assess whether the key judgments and conclusions are appropriate” has been added to the safeguards.</p>
270.	4	<p>Response: Not necessarily</p> <p>The proposed paragraph 220.7 replaces the extant paragraphs 220.3 and 220.4 that, for all intents and purposes, are simply merged into the proposed 220.7. We believe that in regard to the extant 220.3(a) where the professional accountant’s firm’s business interests or activities may conflict with the clients’ interests, the professional accountant should be required to notify the client of the conflict: <i>“shall be disclosed to the client and such parties and their consent to act obtained in writing”</i>.</p>	IRBA	<p>The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.</p>

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271.	4	<p>The paragraph should make it clear that by obtaining consent from relevant parties does not eliminate the professional accountant's responsibilities to comply with the code. In the Explanatory Memorandum, for example, <i>'If threats to the fundamental principles cannot be eliminated or reduced to an acceptable level <u>or</u> consent is refused by the client, the professional accountant shall not accept a specific engagement ...'</i>. (own emphasis). Whether consent is obtained or not should not determine the professional accountant's response to a threat.</p> <p>Irrespective of whether or not, the clients have given consent for the professional services to be continued in circumstances of such conflicts, the professional accountant in public practice shall, weighing all the specific facts and circumstances available to the professional accountant at that time, make a determination as to whether compliance with the fundamental principles is compromised. If the threats cannot be reduced to an acceptable level by the application of safeguards the requirements in the proposed paragraph 220.9 should apply</p>	IRBA	A paragraph states that if the threat cannot be reduced to an acceptable level or eliminated the professional accountant shall decline to perform or discontinue the service.
272.	4	<p>We also believe the proposals should discuss how the accountant is to proceed when one party to the conflict withdraws a previously-given consent.</p>	CICA	The wording requires the professional accountant to remain alert to changes.
273.	4	<p>In our view, the guidance in proposed paragraph 220.7 is not appropriate for several reasons. The paragraph provides that "it is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service." It appears that the proposal would require that disclosure of the conflict and obtaining written consent be satisfied in most cases, without regard to whether the professional accountant has determined there are either no threats to compliance with the fundamental principles or the threats are at an acceptable level.</p> <p>There are obvious circumstances that illustrate why this requirement does not make sense in all cases. Take the example where the firm provides professional services to numerous clients in a particular industry. These clients are competitors in the marketplace and as a result, fall under the description of a conflict as now proposed in paragraph 220.1. Read literally, one might argue that this provision would require the firm to disclose to and obtain written consent from the other clients each time it was engaged to provide services to one of the clients. Certainly this could not be what the Board intended. Another example is where the firm is engaged to assist a client identify and recover duplicate accounts payable. Must the professional accountant review the client's list of vendors to determine whether any are clients and then obtain their written consent either before</p>	DTT	<p>Change made.</p> <p>The professional accountant shall determine whether the significance of the conflict of interest is such that specific disclosure and consent is necessary.</p> <p>The Task Force does not believe that providing assurance services to parties in competition</p>

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		<p>accepting or during the engagement? The mere fact that the clients may have a conflict of interest in such a case does not, in our view, create a threat to the professional accountant's objectivity.</p> <p>We recognize that the proposed standard does state that disclosure and written consent is "generally necessary." However, what is missing in proposed paragraph 220.7 is the language in extant paragraph 220.3, which provides that obtaining consent as a safeguard depends upon the circumstances giving rise to the conflict. We strongly believe, given the lack of a definition of conflict of interest and even considering our proposed changes to the description of conflict in Appendix A, that including language such as "depending upon the circumstances giving rise to the conflict" should be included in any requirement to obtain consent.</p>		<p>with each other would normally be a conflict of interest for the professional accountant.</p> <p>The Task Force has changed the description of a conflict of interest to clarify that the clients' interest in the matter must be in conflict.</p> <p>"depending upon the circumstances giving rise to the conflict" has been added.</p>
274.	4	<p>The professional accountant in public practice shall evaluate the significance of any the threat to objectivity or and any threat to compliance with other fundamental principles created by a conflict of interest and shall apply safeguards, when necessary to eliminate the threat or reduce it to an acceptable level, <u>Depending upon the circumstances giving rise to the conflict, it</u> is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service. In certain circumstances, the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent. Examples of other safeguards include:</p> <ul style="list-style-type: none"> • Use of separate engagement teams when performing professional services for two or more clients with conflicting interests; • Implementing mechanisms to prevent unauthorized disclosure of information when performing professional services for two or more clients with conflicting interests. This could include the creation of separate areas of practice for specialty functions within the firm, which may act as a barrier to the passing of confidential client information from one practice area to another within a firm. This could also include establishing policies and procedures to limit access to client files, the use of confidentiality agreements signed by employees and partners of the firm and/or the physical and electronic separation of confidential information; and, • Seeking guidance of third parties, such as consulting with a professional regulatory 	DTT	<p>See above for proposed resolution to the comments in relation to this wording.</p>

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		<p>body or another professional accountant.</p> <p><i>Note: The above edits to the first sentence eliminate the repetition of paragraph 220.4 and clarify that disclosure may be required when there is a threat to objectivity or other fundamental principles depending on the facts and circumstances giving rise to the conflict. The reference to "written" was deleted for the reasons included in our response.</i></p>		
275.	4	<p>We urge the IESBA to consider distinguishing between assurance engagements and other activities, especially in Part B of the Code. A key concern, as outlined in our response to the specific question raised by the IESBA, is the lack of a requirement to always disclose a conflict to those involved in an assurance engagement. Managing conflicts of interest in a small country like New Zealand is inevitable and has resulted in more stringent requirements than the proposals in the exposure draft. Specifically, our local standard PES 1, Ethical Standards for Assurance Providers always requires disclosure of the conflict to those involved. The exposure draft states that it is generally necessary to disclose the nature of the conflict and to obtain written consent. We consider disclosure and a transparent process for handling conflicts of interest are always appropriate in an assurance engagement. We cannot identify any circumstance when this is not appropriate. There may be the need for a distinction between assurance engagements and other activities. We recommend that for an assurance engagement especially, it is in the public interest, and required to avoid the reputation threat described above to always require disclosure of a conflict of interest.</p>	NZAuASB	A cross reference has been made to independence.
276.	4	<p>No, the NZAuASB is concerned at the lack of a requirement to always disclose a conflict to those involved. We urge the IESBA to consider distinguishing between an assurance engagement and other activities. Disclosure and a transparent process for handling conflicts of interest for an assurance engagement are always considered appropriate.</p> <p>The exposure draft states that it is generally necessary to disclose the nature of the conflict. We would strongly recommend that this should be a requirement for an assurance engagement, and that the words 'generally necessary' are not strong enough but should include a "shall" statement.</p> <p>We recommend that for an assurance engagement it is appropriate to require disclosure in writing of the nature and effects of the conflict to the client and all known relevant parties. Such disclosure should also detail safeguards that will be applied to manage the identified conflict. This should be explained in terms so that the client can understand and appreciate the conflict and its implications in order to provide informed consent to the professional accountant to act or continue to act for the client. We strongly believe that transparency is always required on an assurance engagement to</p>	NZAuASB	A cross reference has been made to independence.

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		<p>adequately address the risks that a conflict of interest has on objectivity, and that our recommendations promote complete transparency.</p> <p>We recommend that the professional accountant should be required to obtain informed consent from the client to act or continue to act for the client on an assurance engagement, preferably in writing, as we acknowledge that it may be overly onerous to get written consent in every circumstance.</p> <p>We urge the IESBA to consider distinguishing between assurance engagements and other activities. We recommend that the paragraphs should be amended for assurance engagements and added to as follows:</p> <p>220.7 The professional accountant in public practice shall evaluate the significance of the threat to ...threat or reduce it to an acceptable level. It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service. In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent.Examples of safeguards include:</p> <p><i>Assurance Engagements</i></p> <p>220.8 Where a member of an assurance team has a conflict of interest but believes that the situation may be managed, sufficient disclosure shall be made in writing to the clients or potential clients concerned together with details of any proposed safeguards to preserve confidentiality and manage the conflict of interest. The member of the assurance team shall explain the nature and effects, or likely effects, of the conflict or potential conflict to the client. The explanation shall be in terms that the client can understand to ensure that the client has a proper appreciation of the conflict and its implications and include enough detail in a clear, concise and effective form, to allow the particular client affected by the conflict of interest to make informed decisions about how the conflict may affect the service being provided to them.</p> <p>220.9 Where a conflict has been identified it is appropriate for the member of the assurance team to ensure, in obtaining the client's informed consent to act, or to continue acting for the client, that the client provides such consent on a fully informed basis, and preferably as express written consent. In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the member of the assurance team is encouraged to document such consent. The member of the assurance team recognizes that the fact of obtaining their client's consent to proceed with the advice does not in any way diminish the other duties owed to the client</p>		
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		<u>under the engagement.</u>		
277.	4	No specific comments.	PAIBC	N/A
278.	5. Do respondents concur with the three conditions set out in paragraph 220.8 required to be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality? Are the examples within paragraph 220.8 helpful?			
279.	5	Yes agreed.	ICAP	Supportive comment.
280.	5	Yes to both parts.	RSM	Supportive comment.
281.	5	We fully support the mentioning of situations, where consent cannot be obtained because it would in itself breach confidentiality (paragraph 220.8).	FSR	Supportive comment.
282.	5	Yes. The examples provided within paragraph 220.8 are helpful. The reasonable and informed third party standard would seem to be particularly appropriate in this context.	CIMA	Supportive comment.
283.	5	We concur with the three conditions set out in paragraph 220.8. The examples are helpful.	SAIPA	Supportive comment.
284.	5	We concur with the conditions set out in paragraph 220.8 and consider the mentioned examples helpful.	WPK	Supportive comment.
285.	5	We concur with the three conditions set out in paragraph 220.8 and the examples are helpful.	CARB	Supportive comment.
286.	5	I observed that the paragraph 220.8, the examples are appropriate in relation a professional accountant.	DSFJ	Supportive comment.

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287.	5	We agree with the three conditions set out in paragraph 220.8 and believe them to be appropriate. As noted above we believe that the third party test is appropriate in these circumstances.	Assirevi	Supportive comment.
288.	5	We agree with the three conditions set out in paragraph 220.8 required to be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality.	MIA	Supportive comment.
289.	5	The three conditions are alright. We believe even the examples are helpful though more such examples would have provided clarity to the firms.	ZICA	Supportive comment.
290.	5	<p>Yes, we concur with the requirement to meet all three conditions set out in paragraph 220.8 before proceeding to accept or continue with an engagement whereby a conflict of interest exists, but where the request for consent cannot be sought as the act, in and of itself, would result in a breach of confidentiality. It is only reasonable that, where a conflict of interest has been identified, a professional accountant be expected to proceed with both caution and sensitivity.</p> <p>The examples are helpful, as this case cannot be resolved through customary means (i.e. obtaining written or verbal consent to continue); thus, the onus must be upon the profession to demonstrate adequate safeguards and the protection of the client(s) in such an instance.</p>	CGA	Supportive comment.
291.	5	Yes we believe that the examples are helpful. Please note the audit trail comment in 4 above in case of a later dispute.	SAICA	Supportive comment.
292.	5	<p>Grant Thornton agrees that the three conditions set out in paragraph 220.8 must be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would itself breach confidentiality.</p> <p>However, it would also be expected that these situations would be infrequent and the professional accountant should analyze whether the conditions appropriately mitigate any threats to the fundamental principles on a facts and circumstance basis and that acceptance or continuance of the engagement is in the best interest of their client(s) and the public.</p> <p>Grant Thornton agrees that the examples within paragraph 220.8 are helpful.</p>	GT	<p>Supportive comment.</p> <p>If the conditions are met then they would be satisfied. Therefore the Task Force chose not to add whether it was exceptional.</p>

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293.	5	<p>Response: Yes</p> <p>The examples in proposed paragraph 220.8 of circumstances when requesting consent from parties may itself be a breach of confidentiality are appropriately set out.</p> <p>We support the requirement that firm <i>shall not accept such an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality</i>, unless the three conditions set out in the bullet points are met.</p> <p>It is important that professional accountants in public practice have regard to the proposed paragraph 220.10 and the requirement that they <i>"shall remain alert to the fundamental principle of confidentiality"</i> when identifying any such conflicts of interest and applying appropriate safeguards. Seeking the guidance of third parties referred to may well extend to obtaining legal advice.</p>	IRBA	Supportive comment.
294.	5	<p>The conditions are appropriate for situations where obtaining consent would breach confidentiality and the examples are helpful. Consideration should be given to requiring explicit approval to be obtained from a senior member of the firm not involved in either of the assignments that obtaining consent would breach confidentiality and that the three conditions are satisfied.</p>	Kreston	<p>Supportive comment.</p> <p>The Code does not enter into management decision chains of approval.</p>
295.	5	<p>The ICJCE considers that the three conditions set out in paragraph 220.8 required to be met before a professional accountant proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality are appropriate.</p> <p>However, since this is a situation where the professional accountant cannot obtain a written consent from client, and in the same way that it is stated in paragraph 220.7 when consent is obtained verbally from the client, we recommend IESBA stating in paragraph 220.8 the recommendation for the professional accountant to document such lack of consent due to a potential breach of the confidentiality principle.</p>	ICJCE	<p>Supportive comment.</p> <p>A requirement to document the matter has been added</p>
296.	5	<p>In our opinion, the three conditions set out in par. 220.8 required to be met before a professional accountant can proceed to accept or continue with an engagement are appropriate and useful.</p> <p>However, it would be appropriate also for this paragraph to recommend documenting the process of identification, evaluation and management of the conflict, as indicated in the previous paragraph.</p>	CND-CEC	<p>Supportive comment.</p> <p>A requirement to document the matter has been added</p>

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297.	5	<p>Yes. The implied strengthening of the presumption to require consent is welcome: in our experience too many people do not seek consent, for reasons that do not stand up to scrutiny.</p> <p>We note that paragraph 220.7 recommends documentation where consent is implied or verbal. We believe 220.8 should make a similar recommendation where consent is not sought for reason of breach of confidentiality.</p>	ICAEW	<p>Supportive comment.</p> <p>A requirement to document the matter has been added.</p>
298.	5	<p>We concur with the three conditions required to be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality (set out in paragraph 220.8 of the ED). We believe that the examples provided are helpful.</p> <p>Paragraph 220.7 of the ED recommends documentation where consent is obtained verbally or implied by the party's conduct. As obtaining no consent at all could be considered a greater potential issue, it would be sensible for paragraph 220.8 of the ED to make a similar recommendation where consent is not sought for reason of breach of confidentiality.</p>	FEE	<p>Supportive comment.</p> <p>A requirement to document the matter has been added</p>
299.	5	<p>We do agree with the content of suggested drafting of paragraph 220.8. In order to be consistent, we would like to introduce an explicit reference to : "using professional judgment" in the last bullet point of paragraph 220.8.</p>	CNCC-CSOEC	<p>Supportive comment.</p> <p>The last bullet point has been changed to introduce a disproportionate adverse outcome. Therefore the recommended change would no longer be appropriate.</p>
300.	5	<p>In general we concur with the three conditions required.</p> <p>We suggest to start with the last condition. The third party test is crucial in these situations, whatever safeguards are in place we foresee situations in which a third party will conclude that it is inappropriate to except an engagement that needs to be kept secret for a client, while performing services for this client. The examples provided are helpful but also illustrate that it is not obvious that the third party test can be passed successfully.</p> <p>Further this paragraph should explain the documentation needed to explain the acceptance of an engagement in this situation.</p>	NBA	<p>Supportive comment.</p> <p>Change not made. All the conditions must be satisfied and they are not intended to be in order of priority.</p> <p>A requirement to document the matter has been added</p>

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301.	5	<p>We concur in principle with the three conditions.</p> <p>We believe, however, that the three conditions should not be listed in parallel for the following reason. Our understanding is that the first two conditions are, at a minimum, among the matters to be considered by a firm performing the “reasonable and informed third party test” for the purpose of concluding that it is appropriate to accept an engagement. Therefore, the presentation of the three points should be improved so that the first two conditions and the third condition are not listed at the same level.</p> <p>Moreover, the Exposure Draft outlines a situation where requesting consent would, in itself, result in a breach of confidentiality, and the consent cannot be obtained. However, we believe that the issue is not necessarily whether requesting consent would in itself breach confidentiality, but rather the more common situation where consent cannot be requested because of the nature of the engagement. Therefore, we believe that it is not necessarily appropriate to link the situation where consent cannot be requested to a breach of confidentiality.</p>	JICPA	<p>Supportive comment.</p> <p>Change not made. All the conditions must be satisfied and they are not intended to be in order of priority.</p> <p>The third party test has been strengthened by adding that a restriction on the service would produce a disproportionate adverse outcome for the client.</p> <p>The paragraph has been clarified to relate to when disclosure would be “for the purpose of obtaining consent” and would result in a breach of confidentiality.</p>
302.	5	<p>The second example of the circumstances under which requesting consent would result in a breach of confidentiality mentioned in the Paragraph 220.8 of the Exposure Draft is “performing a forensic investigation for a client”. It is not, however, clarified the type of forensic service and other detailed circumstance. We suggest the IESBA should provide further guidance about it.</p>	CICPA	<p>Further details have been added to the example.</p>
303.	5	<p>Our comments are as follows:</p> <ul style="list-style-type: none"> • We believe it would be helpful to clarify that this paragraph is addressing situations where requesting <i>specific</i> consent would breach confidentiality. Obtaining general consent might in practice avoid the need to apply the guidance in this paragraph and we believe this should be addressed in paragraph 220.7 (see our response to question 4 above). Our concern could be addressed by revising the first sentence of paragraph 220.8 to read: “In certain circumstances, requesting specific consent would in itself result in a breach of confidentiality”. • With regard to the first condition set out in paragraph 220.8, we believe the key factor is that the relationship between the clients is adversarial. There are circumstances where a firm may act in 	KPMG	<p>Change made.</p> <p>“where this requires the firm to</p>

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		<p>an advocacy role for one or other client without itself assuming an adversarial position. For this reason we suggest that the first condition should read: "By acting in an advocacy role for one client where this requires the firm to assume an adversarial position against another client".</p> <ul style="list-style-type: none"> Regarding the second condition (specific mechanisms to prevent disclosure of information), we believe it is not sufficiently clear that such mechanisms may need to have been in place since before any information was obtained. We suggest that an additional sentence at the end of the second bullet point would be appropriate: "It may be necessary to be able to demonstrate that any specific mechanism to prevent the disclosure of information between the engagement teams serving the two clients was already in place before any such information was obtained." <p>We believe the examples are helpful in describing the type of circumstance in which the provisions of this paragraph are applicable.</p>		<p>assume" has been added.</p> <p>An earlier paragraph on safeguards refers to implementing mechanisms to prevent unauthorized disclosure of information.</p>
304.	5	<p>We generally agree with the three conditions set out in paragraph 220.8 and believe that additional scrutiny is required in situations when consent cannot be obtained because the request for consent itself would create a breach of confidentiality.</p> <p>However we have some concerns with regard to the first condition that requires the firm not to act in an advocacy role for one client which is adversarial to the interests of another client. Particularly in hostile deal situations, this condition will disqualify many professional services firms which would leave the engagement open only to non professional service providers. We recognize that the potential impact of this condition is contingent upon on how broadly "advocacy" and "adversarial" are defined and we suggest that more guidance is provided as to how these terms should be interpreted in such situations.</p>	EYG	<p>Supportive comment.</p> <p>The Task Force has reconsidered the references to advocacy and adversarial and concludes these are appropriate.</p>
305.	5	<p>AAT suggests that it is challenging from the outset to determine whether an advocacy position in relation to one client may be adversarial to the interest of another client as the instruction may develop making the position untenable at a future date in the engagement. On this basis AAT suggests amending the wording of the final bullet point as follows:</p> <p style="padding-left: 40px;"><u>"the firm is satisfied, weighing all the specific facts and circumstances available that a reasonable and informed third party would conclude that compliance with the fundamental principles is not, or is unlikely to be, compromised by accepting the engagement in the particular circumstances."</u></p>	AAT	<p>The last bullet point has been changed to introduce a disproportionate adverse outcome. Therefore the recommended change would no</p>

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		We believe that this would encourage practitioners to reflect on the implications of changes to circumstances as well as the circumstances being faced at the time of considering the engagement. If there is a risk that compliance with the fundamental principles might be compromised in future, then the opportunity to consider safeguards is proactively addressed as opposed to reactively.		longer be appropriate.
306.	5	<p>We concur with the three conditions set out in paragraph 220.8 required to be met although we suggest that the wording should be changed as suggested below in order to recognise that conflicts may be identified after project acceptance (additions are shown in bold italics and deletions in strikethrough text).</p> <p>In certain circumstances, requesting consent would in itself result in a breach of confidentiality. Examples of such circumstances may include:</p> <p>Performing a transaction-related service for a client in connection with a hostile takeover of another client of the firm; Performing a forensic investigation for a client where the firm has confidential information obtained through having performed another professional service for another client who would be the subject of the investigation.</p> <p>The firm shall not accept <i>or continue</i> such an engagement unless the following conditions are met:</p> <p>The firm does not act in an advocacy role for one client by assuming an adversarial position against the other client; Specific mechanisms are in place to prevent disclosure of information between the engagement teams serving the two clients; and The firm is satisfied, weighing all the specific facts and circumstances, that a reasonable and informed third party would conclude that it is appropriate for the firm to accept the engagement in the particular circumstances.</p> <p>We believe the examples within paragraph 220.8 are helpful.</p>	BDO	<p>Supportive comment.</p> <p>Change made.</p>
307.	5	FAR concurs with the three conditions set out in paragraph 220.8 and finds the examples helpful. FAR notes that the wording concerning the third party test in paragraph 220.8 differs from the wording in paragraph 220.4. As pointed out above, under FAR's answer to question 2, it would be	FAR	Supportive comment.

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		helpful if the wording was as similar as possible if no difference of meaning is intended. Furthermore, FAR finds that the professional accountant should be encouraged to document his or her considerations in applying paragraph 220.8.		<p>The third party test has been aligned.</p> <p>A requirement to document the matter has been added</p>
308.	5	<p>APESB agrees with the three conditions, in particular the use of a reasonable and informed third party test, which promotes a more objective assessment of the engagement acceptance criteria.</p> <p>APESB finds the examples useful in illustrating high risk cases of conflicts of interest and where confidentiality would be breached by requesting consent to proceed with an engagement. The acceptance of these types of engagements should not be encouraged and therefore we believe that the examples should be presented in the following manner:</p> <p><i>'In certain circumstances <u>where a potentially significant threat to objectivity or one of the other fundamental principles exists</u>, requesting consent would in itself result in a breach of confidentiality. Examples of such circumstances may include:'</i></p>	APESB	<p>Supportive comment.</p> <p>If the conditions are met then they would be satisfied. Therefore the Task Force chose not to add further text.</p>
309.	5	<p>We concur with the three conditions set out in paragraph 220.8. However, paragraph 220.8 does not mention continuing such an engagement (only accepting one), and the proposals do not suggest how a professional accountant should go about terminating an engagement if the three conditions are <i>not</i> met.</p> <p>Paragraph 220.8 does not make reference to any documentation requirements if a firm wishes to rely on this paragraph when deciding to accept or continue an engagement.</p>	ACCA	<p>Supportive comment.</p> <p>Change made.</p> <p>A requirement to document the matter has been added</p>
310.	5	The conditions set out in paragraph 220.8 include the "reasonable and informed third party" standard. In contrast to the wording of proposed paragraph 220.4 (where the accountant must "take into account" this issue), in 220.8 the accountant must be "satisfied" that a reasonable and informed third party "would conclude" that the firm could accept the engagement. It is not clear to us whether these two paragraphs in fact require a different degree of consideration of the same issue, or how a firm could be "satisfied" for the purposes of 220.8, or how a firm could be judged to have not complied with the requirement to be satisfied. Accordingly, we do not currently concur with all of the conditions set out in 220.8.	ICAA	The third party test has been aligned.

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311.	5	<p>At the February 2012 meeting of the IESBA, the SME/SMP Working Group reported on the unique and challenging issues faced by professional accountants in small and medium sized practices (SMPs). One of the recommendations of the SME/SMP Working Group was to “Establish a process to ensure that the particular circumstances of SMEs and SMPs are considered in all projects and deliberations.” We believe that in order to assist Small and Medium Practices implement the Code, the second condition in paragraph 220.8 that requires separate engagement teams should be deleted. The specific mechanisms mentioned in paragraph 220.8 are already mentioned in 220.7 as a suggested safeguard. Thus, it is already a consideration for all professional accountants and to make it a requirement in paragraph 220.8 may be impracticable for SMPs. In addition, there may be safeguards, other than separate engagement teams, that could eliminate or reduce threats to an acceptable level.</p> <p>Accordingly, we would recommend this condition be deleted or revised as follows:</p> <p style="padding-left: 40px;">Specific mechanisms are in place to prevent disclosure of information between the engagement teams serving the two clients;</p> <p>We believe the examples provided in paragraph 220.8 are helpful.</p>	AICPA	The Task Force believes the language is clear.
312.	5	<p>We agree that there are circumstances where requesting consent would result in a breach of confidentiality as provided in proposed paragraph 220.8 and the two situations identified in that paragraph (with the suggested edits in Appendix A) are good examples of such situations. We also agree with the conditions specified in paragraph 220.8 for allowing acceptance of an engagement when consent should not be requested because it would result in a breach of confidentiality. However, we believe that certain clarifications in the wording are required, which we have proposed in Appendix A and described below.</p> <p>We believe that adding a reference in paragraph 220.8 to paragraph 220.7 is important because paragraph 220.7 sets forth the circumstances when consent is required and consequently, Paragraph 220.8 is only relevant if, in accordance with the requirements in the preceding paragraph, the professional accountant has determined that consent is required.</p> <p>We also believe that the addition of the reference to breach of confidentiality is important because the conditions specified are required when requesting consent results in a breach of confidentiality.</p>	DTT	<p>Change made</p> <p>Change made.</p>

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		<p>The “such an engagement” could be read to refer to the examples, which describe circumstances that “may” result in a breach of confidentiality. We believe it should be clear that only when requesting consent would in itself result in a breach of confidentiality must the conditions in paragraph 220.8 be met.</p> <p>Finally, we note that the third condition references the reasonable and informed third party. In this instance, we do not oppose the use of this standard because the professional accountant has identified and evaluated threats and determined that safeguards are required.</p>		
313.	5	<p>In certain circumstances, requesting consent as provided in paragraph 220.7 would in itself result in a breach of confidentiality. Examples of such circumstances may include:</p> <ul style="list-style-type: none"> • Performing a transaction-related service for a client in connection with a hostile takeover of another client of the firm; • Performing a forensic investigation for a client where the firm has confidential information relevant to the potential dispute that was obtained through having performed another professional service for another client who would be the subject of the investigation. <p>The firm shall not accept such an engagement <u>that would result in a breach of confidentiality</u> unless the following conditions are met:</p> <ul style="list-style-type: none"> • The firm does not take an adversarial position against one client when acting in an advocacy role for the other one-client by assuming an adversarial position against the other client; • Specific mechanisms are in place to prevent disclosure of information between the engagement teams serving the two clients; and • The firm is satisfied, weighing all the specific facts and circumstances, that a reasonable and informed third party would conclude that it is appropriate for the firm to accept the engagement in the particular circumstances. <p><i>Note: The reference to paragraph 220.7 is important because that paragraph provides that safeguards, including consent, are required because the threats are not at an acceptable level. This paragraph's relevance is to the requirements in the preceding paragraph. The edit to the second bullet clarifies that the information is relevant to the engagement. The addition of the reference to</i></p>		Change made.

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		<i>breach of confidentiality is important because "such an engagement" could be read as referring to the examples since it directly follows the examples.</i>		
314.	5	<p>We generally concur with the three conditions set out in paragraph 220.8. However, we are of the view that further guidance or explanations could be provided to elaborate on the first condition, "The firm does not act in an advocacy role for one client by assuming an adversarial position against the other client". We foresee that professional accountants might face difficulties in understanding and application of this condition. Specific examples could be provided to illustrate how the condition could be applied in practical situations.</p> <p>We also propose that specific examples could be provided to illustrate the specific mechanisms that can be put in place to prevent disclosure of information between the engagement teams serving the two clients. For example, the Board could consider retaining paragraphs 220.4(a) to 220.4(d) of the extant Code which would serve that purpose:</p> <ul style="list-style-type: none"> (a) The use of separate of engagement teams; (b) Procedures to prevent access to information (for example, strict physical separation of such teams, confidential and secure data filing); (c) Clear guidelines for members of the engagement team on security and confidentiality; and (d) The use of confidentiality agreements signed by employees and partners of the firm. 	ICPAS	<p>Supportive comment.</p> <p>The language has been revised.</p> <p>Safeguards of this nature have been added.</p>
315.	5	<p>We concur with the three conditions set out in paragraph 220.8 required to be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality. It is only reasonable that, where a conflict of interest has been identified, a professional accountant be expected to proceed with both caution and sensitivity.</p> <p>We also consider the examples to be helpful, as those cases cannot be resolved through customary means (i.e. obtaining written or verbal consent to continue); thus, the onus must be upon the practitioners to demonstrate adequate safeguards and the protection of the client(s) in such an instance. However, the IESBA may want to re-consider or elaborate further on the first example (i.e. performing a transactional-related service for a client in connection with a hostile takeover of another client of the firm). We consider "hostile" by definition is adversarial to another client's position and firms are not likely to be able to fulfill the condition of not acting in an advocacy role for one client by assuming an adversarial position against the other client and hence would not be able to accept</p>	HKICPA	<p>Supportive comment.</p> <p>The fact that in the example given the transaction is hostile does not mean the accountant's role is one of advocacy.</p>

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		such engagements anyway.		
316.	5	<p>CPA Australia agrees that in some circumstances obtaining consent would result in a confidentiality breach. We think that this possibility should be mentioned in 220.7 so that it reads: 'Unless disclosure of a conflict results in a breach of confidentiality, it is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service.'</p> <p>We are also of the opinion that the third party test proposed in paragraph 220.8 makes the other two conditions unnecessary. We consider that if 'the firm is satisfied, weighing all the specific facts and circumstances, that a reasonable and informed third party would conclude that it is appropriate for the firm to accept the engagement in the particular circumstances', then the mechanisms and arrangements the firm employs should not necessarily be spelt out as they may vary depending on the circumstances. We further suggest that the condition relating to the third party test should make some reference to the conflict of interest as the statement 'it is appropriate for the firm to accept the engagement in the particular circumstances' may be interpreted differently. We think that in circumstances where a conflict exists, the third party test should be used to confirm the safeguards used reduce the threats to compliance with the principles to an acceptable level or eliminate them. For this reason we suggest that the condition should be expressed as: 'The firm is satisfied, weighing all the specific facts and circumstances, that a reasonable and informed third party would conclude that the threats to compliance with the fundamental principles created by the conflict of interest have been reduced to an acceptable level or have been eliminated.'</p>	CPA Au	<p>The Task Force does not believe any further clarification is needed that 220.9 is an exception to 220.7</p> <p>The third party test has been aligned.</p> <p>The Task Force believes that the third party test does not preclude the need for the other two tests as this would weaken it.</p>
317.	5	<p>We consider that the second condition for accepting such engagements, entailing specific mechanisms to be put in place to prevent disclosure of information between the engagement teams serving the two clients to be too broad, and thus it should be deleted. An alternative solution for such situations would be that all team members of both clients sign a separate secrecy declaration.</p>	Mazars	<p>The Task Force believes the test is appropriate.</p>
318.	5	<p>We are not completely convinced that these conditions are sufficiently strong to serve the purpose for which they are intended, although we note the inclusion of the 'reasonable and informed third party' test as part of the conditions.</p> <p>The conditions imposed could be construed for example as enabling a firm to act in a lead advisory capacity for two different companies seeking to acquire a target. In practice this can lead to a</p>	ICAS	<p>The last bullet point has been changed to introduce a disproportionate adverse outcome, which is intended to achieve a similar outcome to that proposed.</p>

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		number of problematic issues for the firm concerned e.g. the composition of the respective teams. The confidentiality provision could be construed as giving a licence to proceed, where in fact one or both of the engagements should not be taken on. In other words, if there is a conflict that can be cured only by informed consent, and one cannot obtain that consent, then the engagement should not be accepted. However, we do appreciate that this may be too dogmatic an approach to adopt, and therefore we propose that consideration be given to including a provision to the effect that, <i>"except in exceptional circumstances where neither client's interests would be affected significantly, the engagement shall not be accepted"</i> .		
319.	5	<p>As noted above, we do not believe that the disclosure to the client (or other party) need necessarily name the other parties. This may limit the application of this paragraph.</p> <p>This paragraph is not clear as to intent. In particular, the second example (providing a forensic investigation) is not clear as to the type of service or circumstance that is envisaged. This may warrant some expansion if retained. We also note that this is the only place that the "firm" is overtly mentioned.</p> <p>As regards the 2nd and 3rd safeguards:</p> <ul style="list-style-type: none"> • We assume that the intent is that such mechanisms (other than consent) are mandatory, compared to paragraph 220.7 where their need is to be considered. • The third bullet seems superfluous as this is already a requirement of paragraph 220.4. 	PwC	<p>Second example changed to make it clearer.</p> <p>The Task Force believes a third party test is appropriate in this case.</p>
320.	5	<p>We recognise the difficulty set out in paragraph 220.8, where a request for consent would in itself constitute a breach of confidentiality. However, we believe that a reasonable and informed third party would ordinarily conclude that it is not appropriate for the firm to accept such an engagement without consent. Accordingly, we do not believe that there should be an exception to the consent requirement, as currently set out in paragraph 220.8.</p> <p>We should, however, note that an exception might be appropriate where the absolute nature of the provision, and the consequential requirement for a client to obtain separate, new advisers produced a disproportionate and damaging adverse situation for that client. Whilst we have not identified any circumstances that might meet that test, it is possible that others might do so. If such circumstances were to be identified and it was concluded that paragraph 220.8 should contain an exception, that exception should be subject to the test that a reasonable and informed third party would consider a decision to act without having obtained written consent from the other party to be appropriate having</p>	APB	<p>The last bullet point has been changed to introduce a disproportionate adverse outcome, which is intended to achieve a similar outcome to that proposed.</p>

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		regard to the disproportionate adverse consequences to the client of a refusal to act.		
321.	5	We do not concur with the three conditions required to be met when consent cannot be obtained for confidentiality reasons. In circumstances where requesting consent would in itself result in a breach of confidentiality, we believe the professional accountant has no choice but to decline the engagement.	CICA	The majority of respondents support the three conditions, which have been strengthened to introduce a disproportionate adverse outcome resulting from a restriction.
322.	5	The proposals also outline three conditions that must be met before a professional accountant can proceed to accept or continue with an engagement when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality. Our local standard PES 1 requires an assurance provider to disengage from the relevant work when adequate disclosure is not possible. Our preferred approach and recommendation to the IESBA is again to distinguish between assurance engagements and other activities. For an assurance engagement we recommend that disclosure should always be required and that an assurance engagement should not be accepted if disclosure cannot be made. This is true for both real and perceived conflicts of interest. We recommend that even conflicts that are only perceived to be conflicts, need to be disclosed to reduce the reputation threat to the firm.	NZAuASB	The majority of respondents support the three conditions, which have been strengthened to introduce a disproportionate adverse outcome resulting from a restriction.
323.	5	We believe that in the situation where the notification to a client of a conflict would, in itself, constitute a breach, the firm should decline the engagement which is consistent with the Canadian Rules of Professional Conduct. In addition, we refer to our response to question 2 with respect to the use of the reasonable and informed third party standard.	CPAB	The majority of respondents support the three conditions, which have been strengthened to introduce a disproportionate adverse outcome resulting from a restriction.
324.	5	No, not for an assurance engagement. As highlighted above, we believe that complete transparency is required to appropriately reduce the threats to the fundamental principles and, therefore, that disclosure and obtaining informed consent to act is always required for an assurance engagement. Our local standard requires an assurance provider to disengage from the relevant work when adequate disclosure is not possible as a result of confidentiality issues. Proposed paragraph 220.8 actually addresses the matter of protecting confidentiality. We strongly recommend that issues of confidentiality should not detract from the fundamental principle of objectivity.	NZAuASB	The majority of respondents support the three conditions, which have been strengthened to introduce a disproportionate adverse outcome resulting from a restriction.

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		<p>We urge the IESBA to consider distinguishing between assurance engagements and other activities. We recommend that proposed paragraph 220.8 should be added to for assurance engagements as follows:</p> <p><u>Assurance engagements</u></p> <p><u>220.10 In those circumstances where adequate disclosure is not possible by reason of constraints of confidentiality a member of an assurance team shall disengage from the relevant assurance engagement.</u></p> <p><u>220.11 Situations frequently arise which are perceived by clients to be a conflict of interest, but which in reality are no more than concerns about the confidentiality of information.</u></p>		
325.	5	No. The COI in this situation is too great to allow the engagement to be accepted.	Auditor-General, NZ	The majority of respondents support the three conditions, which have been strengthened to introduce a disproportionate adverse outcome resulting from a restriction.
326.	5	No specific comments.	PAIBC	N/A
327.	6. Do respondents agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code?			
328.	6	Yes	ICAEW	Supportive comment.
329.	6	Yes.	AAT	Supportive comment.
330.	6	We agree.	SAIPA	Supportive comment.
331.	6	Yes, we agree with the general requirement to identify, evaluate and manage conflicts of interest as set out in proposed Section 310 of the Code.	RSM	Supportive comment.
332.	6	Yes, we agree with this general requirement.	ICAS	Supportive comment.

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333.	6	Yes, ACCA agrees with these general requirements.	ACCA	Supportive comment.
334.	6	Yes, we believe the contents of Section 310 of the Code are appropriate.	KPMG	Supportive comment.
335.	6	We agree with the proposed general requirement to identify, evaluate and manage conflicts of interest in Section 310.	EYG	Supportive comment.
336.	6	We agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code.	NBA	Supportive comment.
337.	6	We do agree with the general requirement set out in proposed Section 310 of the Code.	ZICA	Supportive comment.
338.	6	The general requirement to identify, evaluate and manage conflicts of interest is set out appropriately.	Kreston	Supportive comment.
339.	6	Yes we agree with requirements to identify, evaluate and manage conflicts of interests specified in proposed Section 310 of the Code.	ICAP	Supportive comment.
340.	6	Grant Thornton agrees with the general requirements to identify, evaluate and manage conflicts of interests as proposed to section 310 of the Code.	GT	Supportive comment.
341.	6	We agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code.	FEE	Supportive comment.
342.	6	Yes, we agree with the general requirement to identify, evaluate and manage conflicts of interest as set out in the proposed Section 310 of the Code.	CARB	Supportive comment.
343.	6	We agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code	HKICPA	Supportive comment.

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344.	6	We agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code?	CICPA	Supportive comment.
345.	6	We agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in the proposed Section 310 of the Code, which is aligned with the overall Conceptual Framework Approach.	ICPAS	Supportive comment.
346.	6	Yes, I agree with the general requirement to identify, evaluate and manage conflicts of interests as set in proposed Section 310 of the Code.	DSFJ	Supportive comment.
347.	6	Yes. We agree with the general requirement to identify, evaluate and manage conflicts of interest as set out in proposed Section 310 of the Code. We believe that the proposed language addresses conflicts of interest more directly than the language in the extant Code.	AICPA	Supportive comment.
348.	6	We agree with the requirements set out in proposed section 310 of the ED relating to identification, evaluation and management of the conflicts of interests for professional accountants in business	CND-CEC	Supportive comment.
349.	6	We agree with the requirement as set out in proposed Section 310 of the Code, such description and examples are significant to those professional accountants in business. The proposed provisions help them be conscious and sensitive to any situation that may result in conflicts of duty.	MIA	Supportive comment.
350.	6	APESB is supportive of the proposed requirements to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code.	APESB	Supportive comment.
351.	6	We agree. We believe that conflicts of interest concerning professional accountants in business, which are not expressly dealt with in the current provisions, are clarified by the case examples. Also, the addition of specific requirements and matters for consideration clarifies how a professional accountant in business should address conflicts of interest.	JICPA	Supportive comment.
352.	6	Yes, we are professionals and the standard is reasonable. The standard talks about evaluating significant threats which is appropriate. The word "significant" is open to interpretation so we believe that the reasonable third party test is appropriate in this section of the standard as well.	SAICA	Supportive comment.

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353.	6	Yes, we agree with the general requirement to identify, evaluate and manage conflicts of interest as proposed in Section 310 of the Code. The same caution expressed in Question 1 is repeated here with respect to paragraph 310.2.	CGA	Supportive comment.
354.	6	The code encourages professional accountants in business to be alert for circumstances and relationships that create or may create threats to compliance with the fundamental principles. Since a conflict of interest creates a threat to objectivity and may create threats to other fundamental principles, we agree with the general requirement to identify, evaluate and manage conflicts of interests as set out in proposed Section 310 of the Code.	BDO	Supportive comment.
355.	6	Yes, the Institute considers that the general approach adopted to the conflicts of interest issue for professional accountants in business is appropriate, subject to our specific comments on proposed paragraph 310.4 below.	ICAA	Supportive comment.
356.	6	We agree with the suggested drafting of paragraph 310 regarding the identification, evaluation and management of conflicts of interest, although as we have explained in our general comments, we believe that a definition of conflict of interest would also be helpful for professional accountants in business.	CNCC- CSOEC	Supportive comment.
357.	6	<p>Yes, the PAIB Committee agrees with the general requirement for professional accountants in business to identify, evaluate, and manage conflicts of interests. In doing so, professional accountants in business could use the newly provided guidance in this Code on identifying, evaluating, and managing conflicts of interest. But above all else they should use their professional judgment. The committee recommends including the use of professional judgment in the revised version.</p> <p>The PAIB Committee notes that professional accountants who work for smaller organizations in particular may have to find advice outside their organization when evaluating conflicts of interest. In that respect, it is useful that the Code allows for consultation with the relevant professional body in several places. The committee recommends that the IESBA, in its communication with the relevant professional bodies, continue emphasizing the importance of enabling this kind of consultation for professional accountants in business.</p>	PAIBC	<p>Supportive comment.</p> <p>The third party test has been aligned.</p> <p>Task Force staff will explore with the IFAC Communications team what vehicles could facilitate this.</p>

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358.		The last sentence of paragraph 310.1 (the definition paragraph) seems superfluous, as the information is already sufficiently covered under the fundamental principles in part A, combined with the measures as required in paragraph 310.5 and subsequent paragraphs.	PAIBC	The last sentence of 310.1 is considered to be an important requirement of the section.
359.		Additionally, in the fourth bullet of section 310.2 it would be worthwhile adding the extension: "or has a substantial interest in."	PAIBC	An equivalent wording has been added.
360.		Paragraph 310.8 seems out of place as it does not deal with conflicts of interest. Perhaps this could be moved to section 300?	PAIBC	The purpose of the paragraph is to link the section to threats which were previously included in the deleted section on conflicts of interest.
361.		<p>Examples: The explanatory memorandum states under "Background" (page four) that the purpose of this project is to provide more comprehensive guidance on conflicts of interest. The PAIB Committee believes that the provision of appropriate examples is very useful.</p> <p>With respect to the examples provided in 310.2, the PAIB Committee believes the example on dissolving partnership is more applicable for accountants in public practice. In addition, it is not necessarily a potential conflict of interest if, for example, the professional accountant is acting as a mediator between two parties. A minor final point on this paragraph: in section 310.2, the fourth bullet only refers to an accountant, as opposed to a professional accountant. We recommend that terminology is used consistently.</p>	PAIBC	Example amended.
362.		<p>and examples that specifically cover public sector situations. Examples of these include:</p> <ul style="list-style-type: none"> • Are there additional ethical issues for those who work on behalf the state? • Should politicians who direct public services be identified as potential "parties?" 	PAIBC	No examples have been identified. The Part C review project includes reference to the Public Sector.
363.		Yes. We also suggest that a definition - in addition to the description – should be included in the "Definitions" section of the code such as "Conflict of Interest: a circumstance or set of circumstances which create a threat to a professional accountant's objectivity and may create threats to other fundamental principles." Also, as the description is to appear in each section of the code, including it in the definitions section provides a referencing "anchor".	CIMA	The description has been made more specific.

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364.	6	In the penultimate sentence of Section 310.1 – “another party” - may in some instances also include colleagues, peers, supervisors and managers, and it would be helpful to acknowledge this, as is the case in extant Section 310.2.	CIMA	Another party is sufficiently broad to encompass these examples without suggesting it is limited to them.
365.	6	Yes. This section would benefit though from further development to acknowledge that in identifying, evaluating and managing conflicts of interest, professional accountants will also need to exercise professional judgement – as they will do on a daily basis during the course of their work – and understand the effects of possible action or non –action. CIMA and many other accountancy bodies provide ethical checklists to assist their members to identify, evaluate and manage conflicts and some reference to the availability of external resources and guidance could also be included here or in any accompanying notes.	CIMA	Supportive comment. Third party test aligned
366.	6	In general, we agree with the overall direction of handling conflicts of interest set out in Section 310. However, we feel that a clearer description of the steps that a professional accountant in business should follow to deal with a conflict, and some of the specific steps they should take, may be even more helpful.	IMA	Supportive comment. The steps develop the guidance previously provided by the Code and the majority of respondents appear satisfied with the proposed steps.
367.	6	<i>Safeguards</i> Disclosing the nature of a conflict and obtaining written consent is not a safeguard for the professional accountant. While it ensures that the interests of the other relevant parties are safeguarded, it does not mitigate any threats to the fundamental principles which arise from the conflict of interest. We recommend that the requirement to apply safeguards and the examples of these safeguards are separated from this requirement in order to make this clear. This is particularly important in paragraph 310.5 where obtaining consent is included specifically as a safeguard. In addition, the word ‘other’ should be removed from the lead-in to the bullet points in paragraph 220.7. The safeguards that are listed in paragraphs 220.7 and 310.5 are not especially strong. For example, the last bullet point in paragraph 220.7 could be amended to make it clear that the third party providing guidance would be reviewing the work performed to ensure key judgments and decisions have been made properly and effectively. Similarly the second bullet point in paragraph 310.5 could be expanded to create two examples which include more detail on the type of oversight envisaged.	APB	Section 310 restructured to align with 220 including splitting safeguards. Safeguards paragraph strengthened in line with that in 220.

368.	6	<p>We agree that accountants in business need to identify, evaluate and manage conflicts of interests as generally set out in proposed Section 310 of the Code.</p> <p>SECTION 310</p> <p><i>Paragraphs 310.1-310.3 and their heading would be deleted and replaced by the following heading and paragraphs 310.1-310.8:</i></p> <p>Conflicts of Interest</p> <p>310.1 A professional accountant in business may be faced with a conflict of interest when undertaking a professional activity. A conflict of interest creates a threat to objectivity and may create threats to other fundamental principles. Such threats may be created whenby:</p> <ul style="list-style-type: none"> • Conflicts between the interests ofThe professional accountant in business <u>undertakes a professional activity with respect to a particular matter for</u> two or more parties for whom the professional accountant undertakes a professional activity whose interests with respect to that matter are adverse; or • Conflicts between the interests ofThe interests of the professional accountant <u>with respect to a particular matter</u> and the interests of a party for whom the professional accountant undertakes a professional activity <u>with respect to that same matter are adverse</u>. <p>A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.</p> <p>A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.</p>	DTT	<p>Supportive comment.</p> <p>Description aligned with that in 220.</p>
369.	6	<p>We agree with the proposed requirements to identify, evaluate and manage conflicts of interest in Section 310. However, as noted above, we believe that the description of conflicts of interest should be better focused on those types of conflicts that can effectively create threats to objectivity and other fundamental principles.</p>	Assirevi	<p>Supportive comment.</p> <p>The Task Force has changed the description of a conflict of interest to clarify that the clients' interest in the matter that must be in conflict.</p>

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370.	6	<p>The second bullet of paragraph 310.1 refers to a conflict between the interests of the professional accountant and the interests of a party for whom the professional accountant undertakes a professional activity. It then gives examples of parties for whom a professional accountant may undertake a professional activity. We do not believe a professional accountant undertakes a professional <u>activity</u> for a vendor, a customer or a lender; however the professional accountant has a professional <u>relationship</u> with these parties. Accordingly, we believe this paragraph should be revised to refer to both a "professional activity" and a "professional relationship".</p> <p>In paragraph 310.2, the second and third bullets would appear to be activities that are typically performed by a professional accountant in public practice. We recommend these examples be clarified as follows:</p> <ul style="list-style-type: none"> • Undertaking a professional activity for each of two parties <u>in a partnership employing the professional accountant</u> to assist them in dissolving their partnership; • Preparing financial information for certain members of management <u>of the entity employing the professional accountant</u> who are seeking to undertake a management buy-out; <p>We agree a professional accountant in business should be alert to interests and relationships that might create a conflict of interest, thus compromising compliance with the fundamental principles, as provided on paragraph 310.3.</p>	CICA	<p>Description aligned with that in 220.1</p> <p>Examples changed</p>
371.	6	<p>CPA Australia agrees with the general requirement to identify, evaluate and manage conflicts of interest as set out in proposed section 310 of the Code. As we mentioned in our response to question 1, a definition of conflict of interest would be valuable and assist members in their identification.</p> <p>It is not clear why paragraph 100.17 which applies to all accountants is repeated in paragraph 310.1 and we do not think that is necessary. In addition to restating paragraph 100.17, paragraph 310.1 states: 'A party may include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.' We understand the examples of what a party may include to be of assistance but think the inclusion of 'or another party' to be superfluous.</p> <p>Paragraph 310.1 of the Code also states: 'A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.' We think that attention ought to be placed on the potential effect conflicts of interest have on compliance with the fundamental</p>	CPA Au	<p>No respondents provided a proposed definition and the majority of respondents were supportive of a description with examples.</p> <p>The ED proposes a description in Paragraphs 100.17 and parallel guidance in sections 220 and 310.</p> <p>"Another party" recognizes that the list provided may not be comprehensive.</p>

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		principles. For this reason we think that the statement should read: 'A professional accountant shall not allow a conflict of interest to compromise compliance with the fundamental principles.' We are also of the opinion that this statement would be better placed in paragraph 100.17 as it is relevant to all professional accountants.		The threat to fundamental principles parallels that in Section 220.
372.	6	We also recommend that Paragraph 310.5 should include an example of a safeguard such as consulting with a professional or a regulatory body such as the third bullet point in Paragraph 220.7.	AICPA	An example of a safeguard such as consulting with a professional or a regulatory body such as the third bullet point in Paragraph 220.7 has been added.
373.	6	<p>In addition, we believe that the professional accountant should have flexibility in determining whether verbal or written consent is appropriate based on the circumstances. We agree, with the statement that "if the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent."</p> <p>Specifically, we recommend that Paragraph 220.7 should be revised as follows (additions in <i>bold italics</i>, deletions struck through):</p> <p style="padding-left: 40px;">The professional accountant in public practice shall evaluate the significance of the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest. and shall apply safeguards, when necessary, to eliminate the threat or reduce it to <i>If the threats are not at an acceptable level. It is generally necessary to, the professional accountant shall</i> disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service <i>and apply additional safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level.</i> In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent. Examples of other safeguards include:</p> <p>We believe this same requirement should also apply to professional accountants in business in Section 310.</p>	AICPA	Evaluation has been aligned to be consistent with 220.

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374.	6	<p>As noted above, under “Responses to Request for Specific Comments” query number four, we believe that if the professional accountant in business believes that the threats to objectivity and other fundamental principles are not at an acceptable level, the professional accountant should be required to disclose the nature of the conflict to all known relevant parties and obtain consent from such parties in order to undertake the professional activity and apply additional safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level.</p> <p>We suggest that the first and fourth examples of a conflict of interest in paragraph 310.2 be edited to be made more general as follows:</p> <p style="padding-left: 40px;">Serving <i>in a management or on the Board position of Directors</i> of two companies and acquiring confidential information from one company that could be used by the professional accountant to the advantage or disadvantage of the other company</p> <p style="padding-left: 40px;">Being responsible for selecting a vendor for the accountant's employing organization and an immediate family member of <i>or</i> the professional accountant owns one of the potential vendors <i>could benefit financially from the transaction</i></p>	AICPA	Examples changed
375.	6	<p>We believe that this is an appropriate standard and is consistent with the approach taken in Section 290/291.</p> <p>However, we believe that the test should be applied at the point that the accountant is making the determination and should take account of safeguards to be applied, so we recommend that the language be slightly amended to read “that compliance with the fundamental principles <u>would be</u> compromised”.</p> <p>We note that the parallel language in 310.4 is slightly different and presumably should be conformed.</p>	PwC	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with 220.</p>
376.	6	310.3 – We note that the language is inconsistent with 220.4 – is this intentional?	PwC	Third part test aligned
377.	6	310.4 – like 220.5 this says nothing about a conflict between the interests of the professional accountant and the parties acted for. We recommend adding “ <u>or whether the interests of the professional accountant may result in a conflict with the interests of a party for whom the professional accountant acts;</u> ”	PwC	The Task Force has changed the description of a conflict of interest to clarify that it is the party's interest in the matter that must be in conflict.

378.	6	<p>Our main points arise in relation to the following:</p> <ul style="list-style-type: none"> Widening the examples given in paragraphs 220.2 and 310.2 to include other situations, such as where an interest is held by a family member of the professional accountant or by a connected party. <p><i>Conflicts arising from connected party and other close relationships</i></p> <p>The use of the reasonable and informed third party test in both identifying and evaluating conflicts of interest and the implementation of safeguards is thought to be appropriate. When using this test to identify conflicts, the professional accountant will need to take into account not only those situations that obviously create a conflict, but also those where a third party may <u>perceive</u> that there is a threat to one of the fundamental principles created as a result of a potential conflict of interest. In order to make it clear that all potential conflicts of interest are identified by professional accountants, it would be helpful if more types of conflicts between two parties were identified in the examples given in paragraphs 220.2 and 310.2. For example, these descriptions of situations where a conflict of interest may arise do not currently include instances where a conflict arises as a result of the professional accountant's family or close personal relationships. Additionally, APB made changes to its Ethical Standards for Auditors recently to introduce the concept of connected parties⁵ and a similar concept could be introduced to these sections of the IESBA Code. A potential conflict arises in any situation where the interests of two parties are different and are capable of leading the professional accountant to a different outcome in the professional services provided.</p> <p>The list of examples in paragraphs 220.2 and 310.2 start with relatively extreme forms of conflicts which everyone would recognise as giving rise to a threat to the fundamental principles. It would be better if the list of examples started with conflicts of lower intensity, where the answer to the question about whether there is an unacceptable threat may be less clear, and then escalated to those which are currently at the start of the list, which are of greater intensity. This will encourage professional accountants to think more widely about potential conflicts of interest.</p>	APB	<p>Example added "or an immediate family member"</p> <p>The intensity of the examples is subjective. The examples in 220 were classified by type. This is not possible in 310.</p>
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⁵ An entity's connected parties are:

- d. its affiliates;
- e. key members of management (including but not limited to directors and those charged with governance) of the audited entity and its significant affiliates; and
- f. any person or entity with an ability to influence (other than in their capacity as professional advisor), whether directly or indirectly, key members of management and those charged with governance of the audited entity and its significant affiliates in relation to their responsibility for, or approach to, any matter or judgment that is material to the entity's financial statements.

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379.	6	<p>Proposed paragraph 310.4</p> <p>Similarly, the proposed wording of paragraph 310.4 includes the use of the phrase “shall understand”. We consider that the use of the word “understand” is not helpful in the expression of a mandatory requirement, as there is no objective basis on which to determine whether compliance with this requirement has been achieved. If the view was that professional accountants in business should be exhorted to understand certain matters, then we consider that the use of the words “should understand” would be adequate in this context.</p>	ICAA	Paragraph restructured to align with 220.
380.	6	<p>Paragraphs 220.5 and 310.4</p> <p>Paragraphs 220.5 and 310.4 have similar bullet points for identifying and evaluating a conflict. We believe that bullet points 3 and 4 of paragraph 220.4 should be restated in the following manner to be consistent with paragraph 310.4:</p> <ul style="list-style-type: none"> • Evaluate the significance of relevant interests or relationships. In general, the more direct the relationship between the professional service and the matter on which the clients’ interests are in conflict, the more significant the threats may be; • Evaluate the extent to which a professional service performed for more than one client may result in a conflict of interest. In general, the more direct the relationship between the professional service and the matter on which the clients’ interests are in conflict, the more significant the threats may be; and <p>In the third bullet point of paragraph 310.4 we question the need to include materiality, which is not included in the third bullet point of paragraph 220.5, and propose that it be revised in the following manner:</p> <ul style="list-style-type: none"> • Evaluate the significance or materiality of relevant interests or relationships; <u>and</u> 	APESB	<p>Paragraph has been amended as recommended.</p> <p>Materiality deleted.</p>
381.	6	<p>Proposed paragraph 310.4</p> <p>In the interests of conforming Sections 220 and 310, we point out that in the third bullet point of paragraph 310.4 there is a reference to materiality which is not included in the equivalent bullet point of paragraph 220.5. Given that both bullet points use the term “significance”, we believe the word “materiality” could be dispensed with.</p>	KPMG	<p>Materiality deleted.</p> <p>310 Restructured to align with 220.</p>

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		<p>We note also that the second sentence of the fourth bullet point of paragraph 310.4 (beginning: “In general...”) is included under the third bullet point of paragraph 220.5 rather than the fourth bullet point. There is no obvious reason why this should not be in the same place in both Sections, and we believe it is more relevant to include it under the third bullet point.</p> <p>Finally, we note in the second bullet point of paragraph 310.4 a typographical error: the word “to” should read “for”.</p>		310.4 typographical error corrected.
382.	6	We believe it may be helpful to illustrate the third sentence of paragraph 220.7 (consent implied by a party's conduct) with one or more examples, as we are not persuaded that this concept is otherwise clear. (A similar illustration may be beneficial in paragraph 310.5.)	KPMG	Implied consent has been clarified consistent with 220.
383.	6	With reference to paragraphs 310.5 and 220.7, we are unclear why, in 310.5, disclosure of the conflict and obtaining consent is described as a safeguard but in 220.7 it is a requirement. We believe disclosure and obtaining consent should be required in all instances where there is a conflict.	RSM	The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.
384.	6	<p>No. We believe that if the threats to objectivity and other fundamental principles are not at an acceptable level, then disclosure and consent should be a requirement. The only exception should be when disclosure would result in a breach of confidentiality. We believe disclosure and consent is necessary to protect the public interest and allow for transparency. Once disclosure is made and consent is obtained, the professional accountant may implement other safeguards to eliminate or reduce threats to an acceptable level, if necessary.</p> <p>In addition, we believe that the professional accountant should have flexibility in determining whether verbal or written consent is appropriate based on the circumstances. We agree, with the statement that “if the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent.”</p> <p>Specifically, we recommend that Paragraph 220.7 should be revised as follows (additions in <i>bold italics</i>, deletions struck through):</p>	AICPA	The wording has been strengthened to require the evaluation of the significance of the interest or relationship. Safeguards are required when necessary and disclosure is additional to the safeguards.

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		<p>The professional accountant in public practice shall evaluate the significance of the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest. and shall apply safeguards, when necessary, to eliminate the threat or reduce it to <i>If the threats are not at an acceptable level. It is generally necessary to, the professional accountant shall</i> disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent from the client and such parties to perform the professional service <i>and apply additional safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level.</i> In certain circumstances the consent obtained from any relevant party may be implied by the party's conduct in keeping with common commercial practice. If the consent is obtained verbally or is implied by the party's conduct, the professional accountant is encouraged to document such consent. Examples of other safeguards include:</p> <p>We believe this same requirement should also apply to professional accountants in business in Section 310.</p>		
385.	6	<p><i>Differing impact of conflicts of interest</i></p> <p>Part A of the Code deals with all accountants; Part B with accountants in public practice; and Part C with accountants in business. Undoubtedly every accountant may potentially at some point in his or her professional working life find himself or herself faced with circumstances in which there is likely to be a conflict of interest, the impact of which could be detrimental to that accountant's ability to provide unbiased services.</p> <p>However, we do not believe that the potential impact will be the same for all accountants. In the case of a professional accountant in business the conflict could exist between the employer and a third party or the employer and the accountant himself/herself. This aspect means that potentially the entire livelihood of that accountant may be at stake. In contrast, the livelihood of a professional accountant in public practice who is not financially dependent on any single client is less likely to be affected as severely. This very difference seems to us to call for a different approach between the two. Losing one client of several or many is not comparable with losing employment and thus livelihood. Depending on other factors such as the ease of which a particular accountant may expect to find new employment may well be a decisive factor for accountants in business facing conflicts of interest. Indeed the "pressure" to keep a job may be a factor that cannot be easily addressed by requirements in the Code. For example, faced with a conflict between an employer and another party, the accountant may be reluctant to</p>	IDW	<p>Respondent believes the greater pressure on PAIBs will reduce their ability to acknowledge or remedy a conflict.</p> <p>Although it is true that the PAIB might be faced with extreme forms of conflict when his/her entire livelihood is at stake, the PAIB nevertheless has to act as a professional and to apply the ethical framework set out in the Code. It will be all the more appropriate to take such advice as is available from the professional body, legal counsel or from other professional accountants.</p>

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		acknowledge the conflict and/or take remedial action, for fear of retribution – the accountant may well be required by terms of employment to act in the interests of the employer, and to disregard the conflict of interest.		
386.	7. Do respondents find the reasonable and informed third party test appropriate?			
387.	7	Yes. It seems appropriate	ICAP	Supportive comment.
388.	7	We find it appropriate.	SAIPA	Supportive comment.
389.	7	We believe the reasonable and informed third party test is appropriate.	RSM	Supportive comment.
390.	7	We believe the reasonable and informed third party test is appropriate.	CICA	Supportive comment.
391.	7	Yes, we do believe this is appropriate.	ICAS	Supportive comment.
392.	7	Grant Thornton agrees that the reasonable and informed third party test as proposed to section 310 of the Code is appropriate.	GT	Supportive comment.
393.	7	We believe that the reasonable and informed third party test is as appropriate in Section 220 as it is in Section 310 of the Code.	HKICPA	Supportive comment.
394.	7	Yes, we believe the reasonable and informed third party test is appropriate.	KPMG	Supportive comment.
395.	7	We agree and support the reasonable and informed party test.	CNCC- CSOEC	Supportive comment.
396.	7	We have the same comments as to those provided to question two (2) above.	ZICA	Supportive comment.
397.	7	Yes. See response to question 2 above.	ICAEW	Supportive comment.

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398.	7	Yes, subject to the observations detailed in section 3 above.	AAT	Supportive comment.
399.	7	CPA Australia finds the reasonable and informed third party test appropriate.	CPA Au	Supportive comment.
400.	7	We agree that the reasonable and informed third party standard is appropriate in paragraph 310.3 for the reasons set out in 2 above.	ACCA	Supportive comment.
401.	7	Yes. We believe the reasonable and informed third party test is appropriate for professional accountants in business.	AICPA	Supportive comment.
402.	7	The reasonable and informed third party test is appropriate.	Kreston	Supportive comment.
403.	7	Yes, the reasonable and informed third party test is appropriate.	DSFJ	Supportive comment.
404.	7	We agree with the reasonable and informed third party test, which is consistently applied to all professional accountants	MIA	Supportive comment.
405.	7	As we have commented above in our answer to question 2, yes, we do consider the reasonable and informed third party standard appropriate. Professional accountants are already familiar with this test within the conceptual framework.	CARB	Supportive comment.
406.	7	Yes, we believe that the reasonable and informed third party test is as appropriate in Section 220 as it is in Section 310 of the Code.	CGA	Supportive comment.
407.	7	We find it appropriate for the same reasons as provided to Question 2. Regardless whether or not a professional accountant is in public practice or in business, it is necessary to determine whether compliance with the fundamental principles is threatened by an identified conflict of interest. In our opinion, using the test for this purpose is consistent with the objectives of the Code, and serves the public interest.	JICPA	Supportive comment.
408.	7	Yes, we believe that it is appropriate. Please also refer to our comment to question 6 above.	SAICA	Supportive comment.
409.	7	In line with our comments regarding the matters specific to professional accountants in public	FEE	Supportive comment.

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		practice (Section 220 of the Code), we find the reasonable and informed third party test appropriate. We refer to paragraphs 5 and 6 of this letter.		
410.	7	The Institute agrees with the IESBA's view that it is appropriate for the professional accountant in business to consider how a conflict of interest will be viewed by a third party, and that the nature of this consideration differs from that of the professional accountant in public practice. We consider that the requirement to "be alert to" such relationships in proposed paragraph 310.3 is adequate in this context.	ICAA	Supportive comment.
411.	7	APESB supports the use of a reasonable and informed third party standard in identifying potential conflicts of interest and implementing appropriate safeguards. This provides the professional accountant with the impetus to step back and consider the ethical dilemma from the perspective of others, which should lead to a more robust and inclusive decision making process	APESB	Supportive comment.
412.	7	As discussed in number 2 above, we believe that if the potential conflict is disclosed to the parties concerned and they consent to the situation, consideration of the reasonable and informed third party standard would not be necessary for non-audit clients. However, in situations where consent cannot be obtained, we believe it is appropriate for the professional accountant in business to consider how a conflict of interest would be viewed by a third party and how a reasonable and informed third party would likely conclude.	EYG	Supportive comment.
413.	7	We agree that the reasonable third party test is appropriate for the professional accountant in business. Unlike the professional accountant in public practice, where conflicts may be more common due to the wide variety of clients and client situations, conflicts are expected to be rare for a professional accountant in business. Accordingly, a third party test appears appropriate.	Assirevi	Supportive comment.
414.	7	We believe the reasonable and informed third party standard is appropriate to be used when identifying and evaluating conflicts of interest. The approach has the benefit of being well understood and allowing judgement over the facts and circumstances. It is also consistent with the approach to considering other threats to the fundamental principles.	BDO	Supportive comment.
415.	7	We believe that this is an appropriate standard and is consistent with the approach taken in Section 290/291. However, we believe that the test should be applied at the point that the accountant is making the determination and should take account of safeguards to be applied, so we recommend that the language be slightly amended to read "that compliance with the fundamental principles <u>would be</u>	PwC	Supportive comment. This paragraph has been amended to be consistent with 220.

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		<p>compromised”.</p> <p>We note that the parallel language in 310.4 is slightly different and presumably should be conformed.</p>		
416.	7	<p>Yes. Use of the reasonable and informed third party test is appropriate, consistent with other provisions in the Code and objective, which will ensure public confidence in the veracity of the provisions.</p> <p>We would invite the IESBA to reflect on the minor distinctions in wording across the conflict provisions that exist in relation to this test, as there is a risk of confusion in application on the part of the practitioner. The wording detailed within the different sections is as follows:</p> <ul style="list-style-type: none"> • Section 220.4 - "...would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at the time, that <u>compliance with the fundamental principles is compromised</u>"; • Section 310.3- "...would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, <u>might compromise compliance with the fundamental principles.</u>" <p>AAT suggests it would be appropriate to amend the wording of both sections to read:</p> <ul style="list-style-type: none"> • "... a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that <u>compliance with the fundamental principles is or might be compromised.</u>" 	AAT	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with 220.</p>
417.	7	<p>For the reasons stated above in response to question 2, we believe that the reasonable and informed third party test is appropriate to professional accountants in business as that test is used in paragraphs 100.2 and 100.7. We would propose changes to paragraph 310.3 as noted in Appendix A, similar to those proposed for paragraph 220.4.</p>	DTT	<p>Supportive comment.</p> <p>This paragraph has been amended to be consistent with 220.</p>
418.	7	<p>A professional accountant in business shall be alert to all interests and relationships that <u>may give rise to a conflict of interest. a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, might compromise compliance with the fundamental principles.</u> In</p>	DTT	<p>The third party test has been aligned to 220.</p>

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		<p>identifying whether a conflict of interest exists or may be created and evaluating the significance of any threat to objectivity or compliance with other fundamental principles, the professional accountant in business shall:</p> <ul style="list-style-type: none"> • Understand the nature of the relationships between the parties involved and their relevant interests; • Understand the nature of the activity and its implications to relevant parties; • Evaluate the significance or materiality of relevant interests or relationships; • Evaluate the extent to which a professional activity for more than one party may result in a conflict of interest. In general, the more direct the relationship between the professional activity and the matter on which the parties' interests are in conflict, the more significant the threats may be. <p>When identifying and evaluating a conflict of interest, the professional accountant may wish to consult within the employing organization or with others, such as another professional accountant or a professional body.</p>		
419.	7	<p>The professional accountant in business shall evaluate the significance of the any threat to objectivity and any threat to compliance with or other fundamental principles created by a conflict of interest. <u>Based upon the evaluation of those threats, the professional accountant in business shall determine whether appropriate apply safeguards are available and can be applied when necessary to eliminate the threats or reduce them to an acceptable level. In making that determination, the professional accountant in business shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.</u></p> <p><i>Note: The above changes conform the requirement to consider the reasonable and informed third party with the requirements in paragraph 100.7.</i></p>	DTT	Section 310 has been conformed with 220.
420.	7	<p>We believe the reasonable and informed third party standard is appropriate and it coincides with the method used in the section 290 and 291 of the code. We suggest "compliance with the fundamental</p>	CICPA	Supportive comment.

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		principles is compromised" in the paragraph 220.4 of the Exposure Draft should be revised as "compliance with the fundamental principles would be compromised"		This paragraph has been amended to be consistent with "is not compromised".
421.	7	<p>As discussed in our response to question 3 we support the informed third party test.</p> <p>Nevertheless we realize that application of the test within different cultures or jurisdiction will lead to different outcomes. Even two practitioners in similar situations might come to different conclusions This might especially apply for A.I.B..</p> <p>From a conceptual perspective there is nothing wrong with this. Ethical behavior is cultural driven. It is questionable if IESBA, for instance in the Basis for Conclusions, should explicitly recognize this.</p>	NBA	<p>Supportive comment.</p> <p>The third party test is used elsewhere in the Conceptual Framework. The Task Force has alerted the IESBA to comments on the subjectivity of the test.</p>
422.	7	The concept of "reasonable and informed third party test" is, in the PAIB Committee's view, somewhat theoretical. If this concept is intended to describe the professional accountants in business' conscience, then the committee fears there might be large differences in mindsets and judgmental capabilities. Also, any assessment of conflict of interest will be influenced by regional and cultural differences. The same applies for the assessment of the concepts "reasonable" and "informed." Therefore, the committee doubts whether these concepts will be applied consistently on a global basis.	PAIBC	The third party test is used elsewhere in the Conceptual Framework. The Task Force has alerted the IESBA to comments on the subjectivity of the test.
423.	7	Yes. This builds on the references which appear in extant Sections 100.2 (c) and 100.7 and is an important element of the conceptual framework of the code applicable to all professional accountants. The practical interpretation of this though may well be influenced by differing geographical and cultural perceptions and tolerance levels, and that the test and accompanying explanation and guidance should aim to be as relevant and inclusive as possible to all members of the profession.	CIMA	The third party test is used elsewhere in the Conceptual Framework. The Task Force has alerted the IESBA to comments on the subjectivity of the test.
424.	7	<p>Please refer to our response in Question 2:</p> <p>We appreciate that the reasonable and informed third party test would align the requirements to the overall Conceptual Framework Approach found in paragraph 100.7 and promote consistency in the application of the principles in the Conceptual Framework Approach throughout the Code.</p>	ICPAS	<p>Supportive comment.</p> <p>The third party test is used elsewhere in the Conceptual Framework. The Task Force has alerted the IESBA to comments</p>

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		However, IESBA should be cognizant of the fact that the reasonable and informed third party test is vulnerable to subjectivity. With the lack in further guidance, we are of the view that professional accountants will face difficulty in practice when applying the third party test. This will also entail subjectivity and inconsistency in application and interpretation. We would like to suggest that the IESBA consider providing further guidance and specific definitions in this area, for example, what or who is considered a "reasonable and informed third party".		on the subjectivity of the test.
425.	7	See our comments in A. 2: We believe that the reasonable and informed third party standard is not fully appropriate, considering the professionalism of activities carried out by practitioners and the related level of competence required to evaluate compliance with objectivity and other fundamental ethics requirements. We deem that the request of a pro-veritate opinion to an independent and qualified third party (i.e. a professional - either a professional accountant or lawyer – who is independent from the professional and the network) would reduce the subjectivity inherent to the "third reasonable and informed party" test.	CND-CEC	The Task Force is of the view that it would be impractical to out-source the judgments to a third party and to identify who that third party would be. The revision recognizes that the professional accountant should use their professional judgment.
426.	7	We are not sure that this adds anything substantive to the Code. This seems to read like the "prudent man rule," which has a long legal history. Further, it would be helpful to set forth what criteria are to be used to determine whether a party is reasonable and adequately informed? Since these concepts are not well established, we recommend omitting this section.	IMA	The third party test is used elsewhere in the Conceptual Framework. The Task Force has alerted the IESBA to comments on the subjectivity of the test.
427.	8. Do respondents find the conforming changes proposed for Sections 320 and 340 useful? Are they appropriate and adequate?			
428.	8	Yes.	Auditor-General, NZ	Supportive comment.
429.	8	Yes, we believe that the conforming changes proposed are both useful and appropriate.	SAICA	Supportive comment.
430.	8	Yes, we find the conforming changes proposed for Sections 320 and 340 useful and believe they are appropriate and adequate.	RSM	Supportive comment.
431.	8	Yes these are appropriate and adequate.	ICAP	Supportive comment.

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432.	8	The conforming changes appear appropriate and adequate.	Kreston	Supportive comment.
433.	8	Yes, we believe that these proposed conforming changes are appropriate and adequate.	ICAS	Supportive comment.
434.	8	The conforming changes proposed for Section 320 and 340 appear to be appropriate and useful.	MIA	Supportive comment.
435.	8	We have found no problems with the proposed conforming changes for Section 320 and 340 in terms of their usefulness, appropriateness and adequacy.	ZICA	Supportive comment.
436.	8	Yes, The conforming changes proposed for Sections 320 and 340 are useful, as appropriate and adequate for this moment.	DSFJ	Supportive comment.
437.	8	Since these changes improve the alignment of the various sections of the Code and streamline the Code, they could be considered useful and appropriate.	IMA	Supportive comment.
438.	8	Grant Thornton believes the conforming changes proposed for Section 320 and 340 are useful, appropriate and adequate.	GT	Supportive comment.
439.	8	We believe that the suggested conforming changes for paragraph 320 and 340 are appropriate.	CNCC- CSOEC	Supportive comment.
440.	8	We believe the conforming changes to Sections 320 and 340 are useful, appropriate and adequate.	CICA	Supportive comment.
441.	8	We find the conforming changes proposed for sections 320 and 340 of the Code useful. They are appropriate and adequate.	SAIPA	Supportive comment.
442.	8	We find the conforming changes proposed for sections 320 and 340 useful, appropriate and adequate.	CARB	Supportive comment.

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443.	8	Yes, we find the conforming changes proposed in Section 320 and 340 to be useful. We also believe that the guidance on managing threats is appropriate and adequate.	CGA	Supportive comment.
444.	8	AAT considers that the amendments made to sections 320 and 340 have clarified the provisions, which is useful. AAT believes that the conforming changes are appropriate and adequate.	AAT	Supportive comment.
445.	8	We have no comments concerning the proposed conforming changes for sections 320 and 340.	ACCA	Supportive comment.
446.	8	In our opinion proposed changes to Sections 320 and 340 are useful and appropriate.	CND-CEC	Supportive comment.
447.	8	Yes. We believe the conforming changes are appropriate.	AICPA	Supportive comment.
448.	8	We believe that they are useful, appropriate, and adequate. Since sections 320 and 340 describe certain conflicts of interest which may threaten the compliance with the fundamental principles, we believe that establishing consistency with section 310 will promote better understanding of conflicts of interest.	JICPA	Supportive comment.
449.	8	We agree with the conforming changes proposed for Sections 320 and 340 and believe these changes improve alignment of those sections with Sections 220 and 310. There are likely further similar changes that could be made but recognize a comprehensive revision of these sections would be beyond scope for this project.	EYG	Supportive comment.
450.	8	We are of the view that the conforming changes proposed for Sections 320 and 340 are useful, appropriate and adequate in providing further guidance to professional accountants in business to address ethical conflicts, especially in the area of addressing conflicts that arise out of compensation and incentive arrangements.	ICPAS	Supportive comment.
451.	8	Yes, although we are not sure why the degree to which the information might be misleading has been deleted from paragraph 320.5. In terms of exercising professional judgement and balancing the consequences of potential different types of action, this seems to continue to be relevant.	ICAEW	Supportive comment.
452.	8	Yes. We would consider the proposed conforming changes to be useful and appropriate, but again,	CIMA	Supportive comment.

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		the section could usefully be expanded to identify and acknowledge the range and scale of pressures and threats which professional accountants can face in relation to misreporting. We also welcome both the reference in paragraph 320.5 which highlights the threats which arise from compensations and incentive arrangements and the corresponding guidance in Section 340. As mentioned earlier, our research shows that the culture within the employing organisation is creating pressure or management accountants to act unethically – globally.		
453.	8	<p>We consider the conforming changes proposed in Sections 320 and 340 to be useful. We also believe that the guidance on managing threats is appropriate and adequate.</p> <p>We noted that the wording "prepare or report information in a misleading way..." was added in paragraph 320.4 and for consistency we would recommend to add similar wordings to paragraph 320.7.</p>	HKICPA	<p>Supportive comment.</p> <p>Association includes preparation. Therefore the two paragraphs are consistent.</p>
454.	8	APESB is supportive of the changes proposed for Sections 320 and 340. However, the extant Code contains provisions requiring the professional accountant in business to 'not use confidential information for personal gain'. APESB believes this provision should be retained in the revised Code.	APESB	<p>Supportive comment.</p> <p>The confidential information point has been retained.</p>
455.	8	We have no comments on the conforming changes proposed for Section 320. With regard to Section 340, we note that by specifying the threat in paragraph 340.4 as that "... arising from compensation or incentive arrangements..." , threats arising from financial interests are ignored. We believe paragraph 340.4 should also apply to financial interests. This would easily be achieved by inserting the words "financial interests or from" after the words "...arising from..." in the first and second sentences of paragraph 340.4.	KPMG	References to compensation or incentive arrangements have been deleted from 340.4 because they are covered in 340.1
456.	8	<p>In general we do find the conforming changes useful.</p> <p>However, we note that, in revising paragraph 320.2 (proposed to become new paragraph 320.4), the amendments have removed references to financial interests and replaced them with references to compensation or incentive arrangements. This appears to have left Section 320 without any statements relevant to evaluating threats arising from financial interests. We question whether it would have been preferable to revise 320.2 to encompass compensation or incentive arrangements <i>in addition to</i> financial interests, rather than in substitution of them. Or to have dealt with evaluating threats arising from financial interests separately. Alternatively, the IESBA may wish to identify why</p>	ICAA	<p>Supportive comment</p> <p>References to compensation or incentive arrangements have been deleted from 340.4 because they are covered in 340.1</p>

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		in their view the evaluation of threats arising from financial interests no longer requires separate identification.		
457.	8	<p>We believe the proposed changes for Section 320 are useful. We consider it appropriate to include the fundamental principle of integrity in Section 320 and the proposed changes to this Section are adequate.</p> <p>Whilst we believe the changes in Section 340 are useful, we do not believe they are limited to conforming changes only. The changes include clarification that compensation or incentive arrangements represent a financial interest that may give rise to a threat to compliance with the fundamental principles. Nevertheless, we consider the guidance in proposed paragraphs 340.2 and 340.3, in particular, to be useful. Proposed paragraph 340.4 appears to have been restricted to consider only the threats arising from compensation or incentive arrangements. We believe this paragraph should remain applicable for any threat arising as a result of any financial interest including compensation or incentive arrangements. We have noted some suggested wording (based on the proposed wording) below:</p> <p>340.4 The significance of any threat arising from compensation or incentive arrangements shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the <i>financial</i> interest, <i>including those</i> arising from compensation or incentive arrangements. This includes evaluating the significance of the interest. What constitutes a significant interest will depend on personal circumstances. Examples of such safeguards include:</p> <ul style="list-style-type: none"> • Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management. • Disclosure of all relevant interests, and of any plans to exercise entitlements or trade in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies. • Consultation, where appropriate, with superiors within the employing organization. • Consultation, where appropriate, with those charged with the governance 	BDO	<p>Supportive comment</p> <p>References to compensation or incentive arrangements have been deleted from 340.4 because they are covered in 340.1</p>

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		<ul style="list-style-type: none"> of the employing organization or relevant professional bodies. Internal and external audit procedures. Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading. 		
458.	8	<p>Subject to our specific comment in paragraph 16 below, we find the conforming changes proposed for Sections 320 and 340 useful, appropriate and adequate.</p> <p>When referring to factors on which the significance of threats to compliance with the fundamental principles will depend, we note that the “degree to which the information is, or may be misleading” has been deleted from paragraph 320.5 of the ED as a specific factor. In our view, such information continues to be relevant to exercising professional judgement and balancing the consequences of potential different types of action.</p>	FEE	<p>Supportive comment</p> <p>Task Force believes information is either misleading or not misleading.</p>
459.	8	<p>Like FEE we do not see why the words “and the degree to which the information is, or may be, misleading” has been deleted from paragraph 320.5. Such circumstances still seems to be relevant to exercising professional judgment.</p>	FSR	<p>Supportive comment</p> <p>Task Force believes information is either misleading or not misleading.</p>
460.	8	<p>In general we find the conforming changes proposed for Sections 320 and 340 useful, appropriate and adequate.</p> <p>With regard to the last sentence of proposed paragraph 340.2 we wonder what the intention of IESBA is to include this sentence. If this leads to increased self-interest threats this should be recognized in the paragraph, otherwise we suggest to remove the sentence.</p>	NBA	<p>Supportive comment.</p> <p>Last sentence of 340.2 removed</p>
461.	8	<p><i>Proposed paragraph 340.2</i></p> <p>We believe the last sentence of paragraph 340.2 could be expressed more clearly. The relevant fact is not that share awards may be a formulaic multiple of salary (where the multiple could quite likely be less than one) but that the awards may be worth much more than the base salary. A suggested substitution is: “In some cases, the value of the shares awarded may be significantly greater than the employee’s base salary.”</p>	KPMG	<p>Last sentence of 340.2 removed</p>

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462.	8	<p>The PAIB Committee finds the conforming changes proposed for sections 320 and 340 generally useful, appropriate, and adequate save for the following comments.</p> <p>Paragraph 320.6: It would be helpful if the IESBA could better define the phrase "an acceptable level." As this phrase appears throughout the Code, perhaps this would need to be addressed for all parts of the Code as well.</p> <p>Paragraph 340.2: The sentence "In some cases these may be awarded at multiples of base salary" should be deleted. The PAIB Committee feels that this statement may cause unnecessary confusion. The committee agrees that excessive multiples of salary should be discouraged, but notes that incentive based performance schemes are commonplace in many organizations. Alternatively, the IESBA should add the caution that this may further compound the self-interest threats, as noted in paragraph 300.8 of the current Code.</p> <p>Paragraph 340.4: One safeguard to deal with potential conflicts arising from compensation arrangements that should be considered for specific mention in this section of the Code is the establishment of "open periods" for any share dealing by the professional accountant in business in addition to the second bullet point in this section.</p>	PAIBC	<p>Supportive comment.</p> <p>Acceptable level is defined in the definitions section of the Code.</p> <p>Last sentence of 340.2 removed</p> <p>No change made. The safeguards are not intended to be comprehensive. Open periods are normally determined by regulators.</p>
463.	8	<p>CPA Australia finds the proposed conforming changes to sections 320 and 340 appropriate and adequate. However, we do question why the principle of integrity has been singled out for inclusion in paragraph 340.3. We are of the opinion that the principles of objectivity, professional competence and due care and professional behaviour are as applicable as integrity in the requirement not to manipulate information for personal or others' gain and to ensure that any pressure experienced from others does not affect the behaviour of professional accountants.</p>	CPA Au	<p>Supportive comment.</p> <p>The Task Force believes the focus on Integrity should be emphasized in this situation.</p>
464.	8	<p>In our view, the proposed changes to Sections 320 and 340 cannot be considered conforming changes. These changes have little or nothing to do with conflicts of interest and most appear to be editorial changes only. Moreover, we fail to see how any of these changes result in better alignment with Sections 220 and 310. We would encourage the Board not to use the issuance of an Exposure Draft as an opportunity to tinker with the wording in the Code even if those changes are seen by the Board as improvements. Member bodies that adopt the Code may not easily be able to modify their standards for editorial changes adopted by the Board.</p> <p>We believe most of the proposed changes to Sections 320 and 340 are acceptable, other than</p>	DTT	<p>The majority of respondents were supportive of the proposed changes to Sections 320 and 340.</p>

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		<p>certain of the proposed changes to paragraph 340.1 and 340.4 as follows:</p> <ul style="list-style-type: none"> Proposed paragraph 340.1 deletes the words “know of financial interests.” A professional accountant in business cannot be expected to evaluate threats arising from financial interests held by close family members if the accountant has no knowledge of such interests. Although the sentence as proposed is not per se wrong, the notion of knowledge is not mentioned elsewhere in connection with either identifying or evaluating threats. In proposed paragraph 340.4, the word “financial” has been deleted and the phrase “arising from compensation or incentive arrangements” has been inserted several times. As drafted, the professional accountant in business is only required to evaluate the threats from financial interests that arise from compensation or incentive arrangements. The threats from financial interests acquired by immediate or close family members would not have to be evaluated. We assume this is not what the Board intended. 		<p>“Know of financial interests” has been added back.</p> <p>“created by financial interests” has been added to the first sentence.</p>
465.	8	<p>320.4 Threats to compliance with the fundamental principles, for example, self-interest or intimidation threats to <u>integrity</u>, objectivity or professional competence and due care, are created where a professional accountant in business is pressured (either externally or by the possibility of personal gain) to become associated with misleading information <u>prepare or report information in a misleading way</u> or to become associated with misleading information through the actions of others.</p> <p><i>Paragraph 320.5 as amended would become 320.5 and 320.6</i></p> <p>320.5 The significance of such threats will depend on factors such as the source of the pressure and the degree to which the information is, or may be, misleading <u>and the culture within the employing organization. The professional accountant in business shall be alert to the principle of integrity, which imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Where the threats arise from compensation and incentive arrangements the guidance in section 340 is relevant.</u></p> <p>320.6 The significance of the threats any threat shall be evaluated and safeguards applied when necessary to eliminate them <u>the threat</u> or reduce it them to an acceptable level. Such safeguards include consultation with superiors within the employing organization, the audit committee or those charged with governance of the organization, or with a relevant professional body.</p>	DTT	See DTT's comments above

		<p><i>Paragraph 320.6 as amended would become 320.7 22</i></p> <p>320.7 Where it is not possible to reduce the threat to an acceptable level, a professional accountant in business shall refuse to be or remain associated with information the professional accountant determines is misleading. A professional accountant in business may have been unknowingly associated with misleading information. Upon becoming aware of this, the professional accountant in business shall take steps to be disassociated from that information. In determining whether there is a requirement to report <u>the circumstances to a proper authority</u>, the professional accountant in business may consider obtaining legal advice. In addition, the professional accountant may consider whether to resign.²³</p>		
466.	8	<p>SECTION 340</p> <p><i>The heading would be amended as follows:</i></p> <p>Financial Interests, <u>Compensation and Incentives Linked to Financial Reporting and Decision Making</u></p> <p>340.1 Professional accountants in business may have financial interests, <u>including those arising from compensation or incentive arrangements</u>, or may know of financial interests of have immediate or close family members with such interests, that, in certain circumstances, may create threats to compliance with the fundamental principles. For example, self-interest threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price sensitive information in order to gain financially. Examples of circumstances that may create self-interest threats include situations where the professional accountant in business or an immediate or close family member:</p> <ul style="list-style-type: none"> • Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business; • Is eligible for a profit related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business; • Holds, directly or indirectly, <u>deferred bonus share entitlements or share options</u> in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business; 	DTT	See DTT's comments above

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		<ul style="list-style-type: none"> Otherwise participates in compensation arrangements which provide incentives to achieve performance targets or to support efforts to maximize the value of the employing organization's shares, for example through participation in long term incentive plans which are linked to certain performance conditions being met. <p><i>Note: For the reasons stated in our response, we would leave the wording as it was.</i></p> <p><i>Paragraph 340.2 as amended would become 340.4. Paragraph 340.3 would be deleted. They would be replaced with the following paragraphs 340.2-340.3:</i></p> <p>340.2 Self-interest threats arising from compensation or incentive arrangements may be further compounded by pressure from superiors or peers in the employing organization who participate in the same arrangements. Such arrangements often entitle participants to be awarded shares in the employing organization at no cost to the employee provided certain performance criteria are met. In some cases these may be awarded at multiples of base salary.</p> <p>340.3 A professional accountant in business shall not manipulate information, for personal gain or for the financial gain of others. The more senior the position that the professional accountant in business holds, the greater the ability and opportunity to influence financial reporting and decision making and the greater the pressure there might be from superiors and peers to manipulate information. In such situations, the professional accountant in business shall be particularly alert to the principle of integrity, which imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships.</p> <p>340.4 The significance of any threat from financial interests, including those arising from compensation or incentive arrangements, shall be evaluated and safeguards applied, when necessary, to eliminate the threat or reduce it to an acceptable level. In evaluating the significance of any threat, and, when necessary, determining the appropriate safeguards to be applied, a professional accountant in business shall evaluate the nature of the financial interest arising from compensation or incentive arrangements. This includes evaluating the significance of the interest. What constitutes a significant <u>interest will depend</u> on personal circumstances. Examples of such safeguards include:</p> <ul style="list-style-type: none"> Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management. 		
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		<ul style="list-style-type: none"> • Disclosure of all relevant interests, and of any plans to <u>exercise entitlements or trade</u> in relevant shares, to those charged with the governance of the employing organization, in accordance with any internal policies. • Consultation, where appropriate, with superiors within the employing organization. • Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies. • Internal and external audit procedures. • Up-to-date education on ethical issues and on the legal restrictions and other regulations around potential insider trading. <p><i>Note: The above edits are necessary to cover financial interests.</i></p>		
467.	8	We have no comments on these changes.	Assirevi	N/A
468.	9. Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?			
469.	9	Yes.	AAT	Supportive comment.
470.	9	We agree.	ICAP	Supportive comment.
471.	9	We agree with the impact analysis as presented and find it to be sufficient.	SAIPA	Supportive comment.
472.	9	We are in basic agreement with the Impact Assessment.	WPK	Supportive comment.
473.	9	We do agree with the impact analysis. We have no other stakeholders to add to the list.	ZICA	Supportive comment.
474.	9	The impact analysis as presented would appear reasonable and there are no other stakeholders or impacts that should be considered.	Kreston	Supportive comment.

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475.	9	We believe that the impact analysis provided in the consultation document is reasonable.	ICAS	Supportive comment.
476.	9	FAR agrees with the impact analysis as presented.	FAR	Supportive comment.
477.	9	Grant Thornton agrees that the impact analysis as presented appropriately identifies the stakeholders and the impacts on the stakeholders as a result of the new provisions	GT	Supportive comment.
478.	9	CPA Australia agrees with the impact analysis.	CPA Au	Supportive comment.
479.	9	We agree with the impact analysis as presented.	MIA	Supportive comment.
480.	9	We agree with the impact analysis as presented.	ICAA	Supportive comment.
481.	9	the impact analysis is including the most of informations that organizations, stakeholders and governments need to know.	DSFJ	Supportive comment.
482.	9	The impact analysis will be helpful in assisting with implementation of the changes to the Code.	CPAB	Supportive comment.
483.	9	Yes, we agree with the impact analysis presented. We have no further comments on stakeholders and impacts that the IESBA need to consider.	SAICA	Supportive comment.
484.	9	No further impacts on stakeholders have been identified.	NZAuASB	Supportive comment.
485.	9	The impact analysis is comprehensive and has addressed the relevant key revisions, its impacts and the relevant stakeholders. Hence we do not object to the impact analysis presented.	ICPAS	Supportive comment.
486.	9	Yes; however, we would urge IFAC to reflect on the many and varied needs of the stakeholders within the global profession to ensure that the wider impact of the proposed changes are understood and addressed.	CIMA	Supportive comment.

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487.	9	We consider that the impact assessment as currently presented is adequate for the purpose of assessing if a measure could pose excessive burden or cost not outweighed by the potential benefits of such provision.	ICJCE	Supportive comment.
488.	9	We agree with the impact analysis as presented. We did not identify any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA.	BDO	Supportive comment.
489.	9	The impact analysis facilitates the evaluation of proposed changes and clearly lays out the results of the IESBA's assessment of the potential impact that the proposed amendments to the Code may have.	EYG	Supportive comment.
490.	9	On the whole yes. We do not agree that the code does not currently require reasonable and informed third party perception to be considered: it is required in section 100. However the impact is assessed as low so there is no practical change in impact.	ICAEW	Supportive comment.
491.	9	In general, we agree with the impact analysis as presented. However, please see our comments in question 3 above.	RSM	Supportive comment.
492.	9	The first two columns of the impact analysis are useful in that they display new requirements of the Code in a fashion that is easily detectable and understandable. The remaining columns, however, are somewhat subjective. The information contained in these columns could vary based on specific facts and circumstances associated with the standard, the environment in which the professional accountant provides professional services, the professional services performed, market and industry specific characteristics, the various potential parties impacted, jurisdictional laws and regulations, etc. We are not aware of any other stakeholders that should be considered.	AICPA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
493.	9	APESB believes the impact analysis is a useful overview of the proposed changes and the cost/benefits of their implementation. The impact analysis could be enhanced by including a description of key terms used, such as 'low impact' means no significant systems changes, most professional accountants already have adopted similar standards; 'high impact' means new requirement, etc. We believe that the impact analysis could also be used as a tool to increase uptake of changes by presenting positive outcomes such as efficiency gains or more effective risk management.	APESB	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.

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494.	9	Subject to our comments in the covering letter, the impact analysis appears to be reasonable. We are not aware of what stakeholders the IESBA has specifically approached in respect of the Exposure Draft. The most interested stakeholders are likely to be those persons who rely on the work of professional accountants – namely people in business and employers.	Auditor-General, NZ	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
495.	9	Except with respect to section 220.7 we agree that the impact analysis is complete and considers all relevant stakeholders and the impact on such shareholders. Specifically with respect to Section 220.7, however, we believe that this section establishes important new requirements with respect to communicating potential conflicts and implementing safeguards which may represent a significant change in practice for some firms. Accordingly, we believe that the impact should be “moderate” rather than “low” with respect to implementation of these new requirements.	Assirevi	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
496.	9	We believe the impact of the requirement to <ul style="list-style-type: none"> • disclose the interest or relationship creating a conflict of interest, • obtain informed consent, • document the threats to the fundamental principles and safeguards applied, and • take steps to identify conflicts that arise during the course of an engagement, may, in some cases, be significant, as this may represent a change in behavior from the previous requirements of the Code. In all other aspects, we agree with the impact analysis presented.	CICA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
497.	9	We doubt the effectiveness of the impact analysis as presented. It seems rather detailed.	NBA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
498.	9	As a general remark, we suggest enhancing the impact analysis by making it more succinct and shorten it into a single page thereby making it easier to read.	FEE	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
499.	9	We believe that an impact analysis shortened to one single page would be easier to read.	CNCC-	Comments on the pilot impact

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			CSOEC	analyses on this and other Exposure Drafts will be considered together by the IESBA.
500.	9	<p>We appreciate that the development of an impact analysis is in line with best practice, but observe that where the impacts and benefits are not capable of objective quantification the exercise is of questionable value.</p> <p>In our response to question 3 we state that we believe the professional accountant in public practice should make enquiries as appropriate before being in a position to conclude that it is reasonable to believe that no conflicts of interest may exist. This could impose an extra burden on the professional accountant over what is contemplated in the proposed text, but in our view this would lead to an improvement in the accountant's ability to avoid or manage a conflict of interest which would lead to a significant positive impact.</p>	KPMG	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
501.	9	We are supportive of the goal to provide additional clarity and guidance to these provisions, ensuring that reasonable steps are taken to identify circumstances that could pose a conflict of interest, and how these instances may create threats to compliance with fundamental principles expected of the profession. We do not have any comment on the impact analysis.	HKICPA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
502.	9	<p>The changes, as stated, would seem to have a low impact on professional accountants working in business. As such, the effective date for the changes should be short. You are proposing that the effective date for the changes take place 18 months after approval of the final standard. You state that a relatively short transition period would be appropriate. We agree but feel that an 18 month time period is too long. A six-month time period may be more appropriate.</p> <p>The impact analysis deals with the professional accountant. It should also reflect the impact, if any, on other stakeholders, especially the users of financial information prepared by the professional accountant in business.</p>	IMA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
503.	9	<p>Effective date</p> <p>The ED recommends an effective date of 18 months after final promulgation of the revised Code. As the Board notes in the Impact Analysis the impact of this change is not likely to be significant and should not require firms to make significant systems or process changes. Accordingly we strongly</p>	PwC	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the

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		urge the Board to bring forward the effective date by at least 6 months. This will better demonstrate the Board's objectives of serving the public interest by setting high quality ethical standards.		IESBA.
504.	9	The impact analysis is helpful. However, we note that whilst explaining the proposed changes and focusing on several implications, the impact analysis has not explained the cost impact which was previously explained in the exposure draft dealing with Breaches. We are not sure that the significance of the impact of the proposed paragraph 220.5 replacing extant paragraph 220.2 will in fact be a " <i>low impact</i> " (refer our response to Question 3 above).	IRBA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
505.	9	The PAIB Committee agrees with the impact analysis—that the guidance should improve the ability of professional accountants in business to avoid or manage a conflict of interest. In the case of professional accountants in business, all stakeholders of the employing organization could be considered a party as described in paragraph 310.1, as well as a third party as described in paragraph 310.3. Possibly, the stakeholder group "clients" could be added to the examples of "a party," as professional accountants in business can be found working as employees, but also as (external) consultants or advisors. In this respect, the kinds of examples mentioned in paragraph 220.2 may also be relevant to this group of professional accountants in business.	PAIBC	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
506.	9	We agree in general. In our opinion, the impact analysis covers key stakeholders that should be considered and addressed by IESBA in connection with this amendment and briefly states the parties impacted and its impacts. However, with regard to the impact by the proposed change for paragraph 220.8 of the Exposure Draft stated that "Paragraph 220.8 does contain new requirements when consent would in itself be a breach of confidentiality, but this is limited to very specific situations. Thus the impact is considered to be low.", we believe that a situation where consent cannot be requested is not so much limited to very specific circumstances, but rather to relatively frequent situations. Therefore, we agree with the conclusion that the impact is considered to be low, but do not concur with the rationale as provided.	JICPA	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
507.	9	We appreciate that the Board is undertaking the exercise of evaluating the impact of proposed changes to the Code, and we realize this is not an easy task. However, because we do not agree with all of the proposed changes as discussed above, we also do not agree with the impact analysis in a number of places. For example, the first matter covered is the impact of the new description of a conflict of interest, which is found to be significantly positive. However, we do not believe the	DTT	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.

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		description is helpful, so the impact would not be positive. Of particular note is the determination that the impact of the requirements in paragraphs 220.7 is low. As drafted and considering the other proposed changes to Section 220, we would conclude that the impact was quite high and a significant departure from the requirements in the extant Section 220.		
508.	9	We disagree with the magnitude of the impact; usually procedures are already put in place on the three topics identified: Informed third party test, reason to believe, guidance on safeguards. Based on this, we do not consider an impact analysis to be useful, as from our point of view it does not bring anything new.	Mazars	Comments on the pilot impact analyses on this and other Exposure Drafts will be considered together by the IESBA.
509.	9	We have no comments concerning the impact analysis.	ACCA	
510.	9	We do not have specific comments on this subject.	CND-CEC	
511.	Comments beyond specific questions			
512.	100.5	<p><i>The importance of the Public Interest</i></p> <p>The notion of a “conflict of interest” seems to implicitly suggest that there may be various identifiable interests at play during the performance of services by a professional accountant. In our view, the overarching and most important interest is the public interest. We are concerned that the proposed revisions and more broadly, the Code of Ethics, may not sufficiently and explicitly guide the accountant to use the public interest as a benchmark for his/her behavior.</p> <p>We note many instances in the Code where reference is made to the professional accountant’s general responsibility to use the public interest as a benchmark. We also noted, however, that the Fundamental Principles within paragraph 100.5 of the Code do not explicitly mention the accountant’s responsibility to act in the public interest. We believe that acting in the public interest would entail that the auditor functions in a manner that is consistent with and/or contributes above all other interests to the efficient and effective functioning of the securities markets, including providing the relevant information to the users/investors on a timely basis. As we believe the public interest is the overarching and most important interest, we think it should be made clear within the Code that the interest of the profession or clients should never trump or come at the expense of the public interest. We believe this should be a principle explicitly set out in Paragraph 100.5 of the Code. A general principle of this nature could then be detailed in some further provisions. We would for</p>	IOSCO	IOSCO has encouraged the IESBA to consider the concept of the public interest as outlined in the Code and whether it should be a fundamental principle. The IESBA agreed that it would consider this and the IFAC Board policy position paper setting out guidance on the “public interest” at its December 2012 meeting.

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		<p>instance suggest that the auditor be required to avoid creating new conflicts of interest, and also that he would be required, when dealing with conflicting interests, to give most weight to the public interest.</p> <p>And although we realize this is beyond the scope of the current project, we also note the IFAC Policy Position Paper #4 of 2011, as well as our comment letter dated May 4, 2011 in response of that paper. Particularly on page 5 of our letter, we reflected upon the responsibilities of professional accountants. In relation to IFAC's efforts to define the public interest and the ongoing debate in many jurisdictions on the role of auditors, we urge the Board to reflect on the best possible way to reinforce the auditor's responsibility to act in the public interest.</p>		
513.	100.5	<p><i>Conflicts of Interest relating to the Public Interest</i></p> <p>We note that the public interest may conflict with the interest of other parties. On the basis of the Exposure Draft, it is unclear whether the proposed changes to the Code of Ethics are also intended to deal with situations in which there is a conflict of the public interest with other interests. As we stated above, we believe that auditors are appointed to serve the public interest. There seems to be no guidance on how to deal with situations where the public interest conflicts with other interests. Given the likelihood of such conflicts to occur, we think it is important to provide guidance on how to deal with such conflicts. We therefore encourage the Board to clarify how public interest considerations should be dealt with when conflicts of interest emerge.</p>	IOSCO	See above
514.	Definitions	<p><i>Clarification of terminology</i></p> <p>We note that IESBA proposes to add material dealing with conflicts of interest into Parts A, B and C of the Code. We are not convinced that the wording "conflicts between the interests of two or more parties for whom the professional accountant undertakes professional activities" (Parts A and C of the Code) and "conflicts between the interests of two or more clients" (Part B of the Code) is sufficiently clear in all cases. For example, as the IAASB Framework explains, there are three parties to an assurance engagement; a practitioner, a responsible party and intended users. It is therefore unclear which of the latter two "the party for whom the professional accountant undertakes professional activities" and "clients" respectively the IESBA is referring to in an assurance engagement. We believe the IESBA needs to be more precise in its wording, especially where assurance engagements are concerned.</p>	IDW	The Task Force does not consider that it is necessary to define "client" for the purposes of evaluating conflicts of interest and believes that the principles in section 220 (intended to be applicable for all types of service provided by a professional accountant) can be readily applied when evaluating conflicts for the purposes of an assurance engagement.

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515.	Documentation	<p>Other comments for consideration</p> <p>We recommend that the IESBA include documentation requirements similar to the documentation requirements in section 290.29 of the Code requiring the professional accountant to document their conclusions regarding compliance with the fundamental principles and the substance of any relevant discussions including:</p> <ul style="list-style-type: none"> • When safeguards are required to reduce a threat to the fundamental principles to an acceptable level, the professional accountant shall document the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level; and • When a threat to the fundamental principles required significant analysis to determine whether safeguards were necessary and the professional accountant concluded that they were not because the threat was already at an acceptable level, the professional accountant shall document the nature of the threat and the rationale for the conclusion. 	GT	<p>The Task Force is of the view that it is only necessary to encourage the documentation of general or implied consent.</p>
	Definitions	<p>The proposed revisions discuss identifying, evaluating and managing conflicts of interest with a client(s); however the IESBA does not define the term client. For example, when identifying and evaluating conflicts of interest that arise from interests or relationships involving an audit client, the client (as defined in the Code) would include the entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, the audit client will always include its related entities. When the audit client is not a listed entity, the audit client includes those related entities over which the client has direct or indirect control. However, it is unclear who the client is in situations not involving an audit or client. Accordingly, we recommend that the IESBA define the term "client" in the proposed revisions.</p>		<p>A requirement to document the matter when a conflict of interest exists but consent cannot be obtained because it would in itself breach confidentiality has been added.</p> <p>The Task Force believes the meaning of "client" is self evident.</p>
516.	220	<p>Section 220</p> <p>We also observe that the Code's definition of a Professional Accountant in Public Practice includes both the individual and the firm of accountants. From the context it becomes clear that Section 220 focuses primarily on the firm rather than the individual. We believe that it would benefit the reader who considers this Section in isolation, or in particular in contrast to Section 310, to be reminded that the definition includes the firm as certain parts of Section 220 cannot apply to an individual.</p>	KPMG	<p>Understanding Section 220 requires the reader to be familiar with the definitions in the Code. No change made.</p>
517.	220.3	Taking reasonable steps to identify conflicts (para 220.3)	PWC	

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		<p>We agree that the accountant should take “reasonable steps to identify circumstances that might create a conflict of interest. This includes potential conflicts of interest when accepting a new engagement...”. It is important that the accountant responds appropriately if new facts come to light during the course of an engagement. However the proposed language “This includes [potential conflicts of interests when accepting a new engagement and] conflicts of interest that may arise during the course of an engagement” suggests that the firm needs to implement some form of real time monitoring system for changes – we do not believe that this is realistic or appropriate. We recommend that the wording be amended to</p> <p>“A professional accountant in public practice shall take reasonable steps when accepting a new engagement to identify circumstances that create or may create a conflict of interests. The accountant shall remain alert to any changing circumstances during the course of an engagement that create or may create a conflict of interest. This may be, for example, due to changes in the nature of the services or the relevant relationships and interests. This is particularly true when a professional accountant is asked to conduct an engagement in a situation that may become adversarial, even though the parties who engage the professional accountant may not initially be involved in a dispute”.</p> <p>We recognise that in practice an individual accountant will often be reliant on information sources within the firm (and network where appropriate) and that the research may be undertaken by others. This may lead to others in the firm (such as a central conflict checking team) advising on whether an engagement can be taken on, particularly in the case of highly confidential “black box” situations.</p>		<p>The need to remain alert to changes has been added to the paragraph.</p>
518.	220.3	<p><i>Clarification of the meaning of “reasonable steps” to identify conflicts of interest</i></p> <p>We note that proposed paragraph 220.3 states: “A professional accountant in public practice shall take reasonable steps to identify circumstances that might create a conflict of interest.” Since paragraph 220.6 uses the phrase “conflict identification process”, we would encourage the IESBA to clarify whether it intends the “reasonable steps” required in 220.3 to constitute a process, and, if so, what such a requirement is intended to imply. We are concerned that this phrase may imply a formal process that would not necessarily be appropriate in every case. In our view, a professional accountant should be required to consider whether particular aspects of a professional activity or engagement may lead to a conflict of interest, in so doing taking certain factors into account. Describing such as a process would seem to apply more than this and could lead to unrealistic expectations, or documentation.</p>	IDW	<p>The Task Force intends for the wording to provide a reasonable basis for professional judgment in the particular circumstances. It would not expect a formal process in all cases.</p>

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519.	220.3	<p><i>Identifying Conflicts of Interest</i></p> <p>We believe it would be helpful if Paragraph 220.3 provided examples of “reasonable steps” the Board believes would be appropriate in identifying conflicts of interest.</p>	AICPA	The Task Force intends for the wording to provide a reasonable basis for professional judgment in the particular circumstances.
520.	220.3	<p>The first sentence of paragraph 220.3, second line, refers to circumstances that “might” : we believe that the word “might” should be replaced by : “may”.</p> <p>The second sentence of paragraph 220.3 suggests that the professional accountant should pay attention to potential conflicts of interest and conflicts that may arise during the course of an engagement. Therefore we believe that all situations are covered and we should suggest deleting the two last sentences of this paragraph which seems to be redundant.</p>	CNCC-CSOEC	<p>Task Force believes wording is appropriate.</p> <p>Change not made. These sentences provide the context for a new sentence emphasizing that the accountant needs to remain alert to changes, as suggested by other respondents.</p>
521.	220.3	<p><i>Threshold for identification of a potential conflict of interest</i></p> <p>We note that, in the context of identification of potential conflicts of interest, paragraph 220.3 refers to conflicts of interest that <u>may</u> arise; paragraph 220.4 of interests and relationships that <u>might create</u> a conflict of interest, and paragraph 220.4 of whether a conflict of interest exists or <u>may be created</u>. In our view these thresholds are too low, as literally taken they will result in professional accountants having to take active steps to identify even relatively remote chances of a conflict of interest. The significance of threat to objectivity can only be meaningfully assessed if, relevant to the engagement in question, interests and relationships exist that create a conflict of interest or are likely in the future. Conversely, if conflicts of interest do not exist or are unlikely to exist it would be inappropriate for the accountant to be required to take remedial measures, such that identification of a potential conflict of interest threat and evaluation of the significance of the associated threat to objectivity would be a futile exercise. In our opinion, it makes sense for the accountant to be required to identify interests and relationships that <u>are likely to create</u> a conflict of interest and then to evaluate the significance of any ensuing threat to objectivity as required by paragraph 220.7. At the same time, the accountant should be required to remain alert to the emergence of – as opposed to being required to actively identify – further interests and relationships that are likely to create a conflict of interest. We suggest the relevant paragraphs be redrafted accordingly.</p>	IDW	Task Force believes wording is appropriate.
522.	220.3	There is inconsistency in drafting between “might create”, “potential” conflicts, “exists or may be	PwC	Task Force believes the wording

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		<p>created". We recommend:</p> <p>220.3 A professional accountant in public practice shall take reasonable steps to identify circumstances that <u>might</u> create <u>or may create</u> a conflict of interests.</p> <p>220.4 When identifying and evaluating the interests and relationships that <u>might</u> create <u>or may create</u> a conflict of interests and implementing safeguards,</p> <p>220.6 An effective conflict identification process assists a professional accountant in public practice to identify <u>actual or</u> potential conflicts prior to accepting.....</p>		<p>is appropriate.</p> <p>No change made.</p>
523.	220.3	<p><i>Identifying and evaluating conflicts of interest</i></p> <p>Paragraphs 220.3, 220.4 and 220.5 are all connected and we believe that the following detailed drafting amendments could make the process clearer:</p> <ul style="list-style-type: none"> • It seems that the 'reasonable steps' in paragraph 220.3 might be the procedures that are required in paragraph 220.5. These two paragraphs could be combined, so that they both come before the following paragraph which sets out the test that professional accountants should use when identifying and evaluating potential and actual conflicts. • The test which is set out in paragraph 220.4 provides the criteria against which the evaluation required in the last three bullet points of paragraph 220.5 is carried out. • The first two bullet points of paragraph 220.5 are more to do with identifying potential conflicts and it may be better to phrase the test for these two processes as whether a reasonable and informed third party would be likely to conclude ... that compliance with the fundamental principles <u>may</u> be compromised. • The wording of each of the last three bullet points of paragraph 220.5 includes an unnecessary 'may' which could be eliminated. <p>Rather than making these detailed drafting changes, it may be better to split the process into two parts: identification of potential conflicts and evaluation of actual conflicts to decide on the necessary safeguards to put in place. At the moment, there is no clear guidance on the factors to consider when evaluating a threat that arises from a conflict of interest. This might include factors such as the closeness of professional, family and other connected party relationships with the relevant parties (e.g. the number and length of previous engagements in the case of a professional accountant in public practice).</p>	APB	<p>The paragraphs have been restructured accordingly.</p>
524.	220.5	<p>Other comments on para 220.5</p> <p>The paragraph does not say anything about evaluating any conflicts between the interests of the</p>	PwC	<p>"In general, the more direct the connection between the</p>

		<p>professional accountant in public practice and the client (the second element of the description). We recommend adding to the 4th bullet:</p> <ul style="list-style-type: none"> o Evaluate the extent to which a professional service performed for more than one client may result in a conflict of interests <u>or whether the interests of the professional accountant [in public practice] may result in a conflict with the interests of the client:</u> <p>In evaluating whether a conflict of interests exist when providing services to two clients, we believe that what is important is whether the services would inappropriately advance the interest of one party over the other. Accordingly we recommend adding at the end of this paragraph:</p> <p>“When considering providing services to two parties whose interests’ may conflict, the test generally of whether the circumstances create a threat to the accountant’s objectivity is whether the services will serve to “advance the interest of one party over the other”. When the services support each client but are not intended to advance their interests against the other (such as carrying out due diligence on a target for two competing bidders) and the services are provided by the professional accountant with appropriate safeguards to manage confidentiality there is no [significant] threat to objectivity”.</p>		<p>professional service and the matter on which the clients’ interests are in conflict, the more significant the conflict of interest may be,” has been added to the second bullet point.</p>
525.	220.5	<p><i>Relationship between Conflict of Interest and Auditor Independence</i></p> <p>Objectivity is one of the (currently) five fundamental principles that should drive the professional accountant’s behavior. Auditor independence from the (audit) client is a very important subset of objectivity, and clearly Conflicts of Interest may also threaten the auditor’s objectivity. The Code (when the current proposals are finalized) recognizes this, and thus includes provisions on those two matters.</p> <p>When accepting a new client or when delivering new services to an existing client, there is much focus on whether there are threats to objectivity and independence from the perspective of other services and relationships with that particular client. In our view, accepting new clients or performing new services for an existing client may, depending on the circumstances, also create other threats than threats to the auditor’s independence in relation to that client. It might be the case that accepting a new client may directly give rise to conflicts of interests with existing clients. This may result in undesirable situations, depending on the severity of the threats.</p> <p>A possible manner to prevent this would be to include in the Independence section of the Code some provisions stating that independence may also be impaired by services delivered to other clients, especially when such services create (or may create) conflicts of interest. Vice versa, we think that</p>	IOSCO	<p>A cross reference to independence and assurance has been added to Section 220.</p>

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		paragraph 220.5, which deals with the auditor's work when accepting a new relationship or engagement, should also refer to the Independence section of the Code, particularly as that section of the Code contains many provisions that the auditor should also take into account when deciding on accepting a new relationship or engagement. We would appreciate it if the Board would look more deeply into the relationship between Conflicts of Interest and auditor independence, but suggest including these high level references as a first step, since we think such more detailed deliberations may take some time.		
526.	220.5	<i>Proposed paragraph 220.5</i> As currently drafted, the bullet points in paragraph 220.5 indicate the steps that a professional accountant in public practice shall consider in evaluating whether a conflict of interest exists or may be created. However, we believe it does not fully indicate what steps may be needed to evaluate whether there exists a threat to the fundamental principle of confidentiality. We suggest it would be appropriate to include a further bullet point to cover this point. Suggested text for this bullet point is: "Evaluate whether confidential information held by the professional accountant in public practice relating to the relevant parties is sufficiently secure to prevent its disclosure between the respective engagement teams."	KPMG	This point has been addressed within the example safeguards to address a conflict of interest, ie arrangements to prevent unauthorized disclosure of confidential information.
527.	220.5	<i>Proposed paragraph 220.5</i> The proposed wording of paragraph 220.5 requires that a professional accountant in public practice shall "understand" two concepts. It is not clear to us how a professional accountant in public practice could be judged to have not complied with any requirement to understand. We suggest that this paragraph be reworded to avoid the use of the word "understand". Words such as "investigate" or "research" would be preferred.	ICAA	The word "understand" has been deleted.
528.	220.5	Other comments on para 220.5 The paragraph does not say anything about evaluating any conflicts between the interests of the professional accountant in public practice and the client (the second element of the description). We recommend adding to the 4 th bullet: <ul style="list-style-type: none"> ○ Evaluate the extent to which a professional service performed for more than one client may result in a conflict of interests <u>or whether the interests of the professional accountant [in public practice] may result in a conflict with the interests of the client;</u> <p>In evaluating whether a conflict of interests exist when providing services to two clients, we believe that what is important is whether the services would inappropriately advance the interest of one party</p>	PwC	<u>This situation has been addressed in paragraph 220.8 (new)</u> The Task Force believes it is not appropriate to state in the Code that services which do not involve advancing the interests of one party over the other do not create significant threats to

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		over the other. Accordingly we recommend adding at the end of this paragraph: “When considering providing services to two parties whose interests’ may conflict, the test generally of whether the circumstances create a threat to the accountant’s objectivity is whether the services will serve to “advance the interest of one party over the other”. When the services support each client but are not intended to advance their interests against the other (such as carrying out due diligence on a target for two competing bidders) and the services are provided by the professional accountant with appropriate safeguards to manage confidentiality there is no [significant] threat to objectivity”.		objectivity. However, the addition of the sentence: “In general, the more direct the connection between the professional service and the matter on which the clients’ interests are in conflict, the more significant the conflict of interest may be,” provides guidance pertinent to this point.
529.	220.6	Para 220.6 would follow better after 220.3 as it provides guidance related to the “relevant steps” to be taken. It would also be appropriate to note in 220.6 that any conflicts that members of the engagement team have, arising from their own interests and relationships, should be identified and considered.	PwC	The paragraphs have been restructured.
530.	220.6	In addition we would like to offer the following comments: <ul style="list-style-type: none">Paragraph 220.6 refers to ‘an effective conflict identification process’. It is not clear to what process this statement is referring. Paragraph 220.6 also lists some factors that would affect the process to identify conflicts. We would suggest that the word ‘process’ is deleted as it does not contribute to the requirements or if it is retained, then clarification as to what an effective conflict identification process entails, is provided.The same paragraph contains the sentence: ‘The earlier a potential conflict is identified, the greater the chance the professional accountant will be able to apply safeguards when necessary, to eliminate the threat to objectivity and any threat to compliance with other fundamental principles or reduce them to an acceptable level.’ We propose that the word ‘chance’ is replaced with the word ‘likelihood’ as it is not chance that would enable the professional accountant to be able to apply safeguards but the early identification of the conflict.	CPA Au	First bullet – The Task Force does not consider it appropriate to specify what the process should be because this will differ between firms depending on size and complexity. The factors are intended to help when considering how to design an effective process. Second bullet – amended to “likelihood”.
531.	220.6	The factors on which the nature of an effective conflict identification process depends in paragraph 220.6 should include a recognition that in some networks there may be a system through which conflicted relationships can be identified. Where such a system exists, it would be helpful to clarify that the professional accountant would be expected to treat the information within that system as part of the ‘facts available’.	APB	Greater emphasis and more guidance have now been given to conflict identification across the network to help to address this point.

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532.	220.6	<p>We also recommend that when identifying conflicts of interest in Paragraph 220.6, another relevant factor should be the relative significance of the potential conflict of interest. Accordingly, we suggest an additional bullet point stating:</p> <p style="text-align: center;"><i>The relative significance of the potential conflicts of interest</i></p>	AICPA	"the significance of relevant interests or relationships" has been added
533.	220.6	<p>An effective conflict identification process assists a professional accountant in public practice to identify potential conflicts prior to accepting an engagement and throughout an engagement. The earlier a potential conflict is identified, the greater the chance the professional accountant will be able to apply safeguards, when necessary, to eliminate any the threat to objectivity or and any threat to compliance with other fundamental principles or reduce them to an acceptable level. The process to identify conflicts of interest will vary and depend on such factors as:</p> <ul style="list-style-type: none"> • The nature of the professional services provided; • <u>The significance of the potential results of the professional services to the relevant parties;</u> • The size of the firm; • The size and nature of the client base; and • The structure of the firm, for example the number and geographic location of offices, and whether the firm is a member of a network. <p><i>Note: The point added above is important in determining the extent to which conflict-checking procedures should be employed.</i></p>	DTT	The Task Force does not believe it is practical to include an evaluation on the significance to the relevant parties as a factor to consider.
534.	220.7	<p><i>Disclosure of conflicts of interest and engagements subject to Section 290 – Paragraphs 220.7& 220.8</i></p> <p>Paragraph 220.7 states that "<i>It is generally necessary to disclose the nature of the conflict to the client and all known relevant parties and to obtain written consent...</i>". We believe that for audit and review engagements that are subject to section 290, a stricter level of conduct is required.</p> <p>APESB recommends that IESBA consider revising paragraph 220.7 (and potentially 220.8) to apply a distinction between disclosure of conflicts and obtaining client consent for audit and review engagements subject to section 290 of the Code and all other engagements.</p> <p>We recommend that for audit and review engagements subject to section 290 of the Code, the practitioner be required to disclose conflicts of interests and obtain client consent or decline the</p>	APESB	Lack of independence is recognized as a type of conflict. A cross reference to independence has been added. An example involving assurance has been added.

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		engagement when disclosure for reasons of confidentiality is not possible. In respect of all other engagements APESB agrees with IESBA's proposed approach.		
535.	220.9	If safeguards cannot eliminate any the threat to objectivity or and any threat to compliance with other fundamental principles created by a conflict of interest or reduce it to an acceptable level, the professional accountant in public practice shall decline to perform or discontinue professional services that could result in the conflict of interest; or terminate certain relationships or dispose of certain interests to eliminate the conflict.	DTT	No change made. The original wording makes clear there will necessarily be a threat to objectivity.
536.	220.9	220.9 is not a sentence as drafted. There are 3 options. This would better read: 220.9 If safeguards cannot eliminate the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest s or reduce it to an acceptable level, the professional accountant in public practice shall decline to perform <u>the engagement</u> or <u>shall</u> discontinue <u>the</u> professional services <u>giving rise that could result in to</u> the conflict of interest; or <u>terminate or eliminate any interest or relationship</u> terminate certain relationships or dispose of certain interests to eliminate the conflict.	PwC	Sentence has been redrafted.
537.	220.9	We are also concerned at the approach taken in paragraph 220.9. As stated above, we do not believe that client consent as proposed in the exposure draft can in itself be viewed as a suitable safeguard. Rather obtaining client consent gives an indication that the client believes the conflict is either insignificant, or that it can be satisfactorily addressed by planned safeguards. Client consent thus acts as a test of the acceptability of planned safeguards. Provided the professional accountant has obtained client consent as outlined in paragraph 220.7 (written, verbally or implied) on the basis of planned safeguards, it would only make logical sense for the professional accountant to decline to perform or discontinue professional services when the professional accountant does not share the client's viewpoint – i.e., the professional accountant believes more safeguards are necessary than does the client. Logically, the professional accountant may alternatively conclude that planned safeguards are adequate even though client consent is not forthcoming; however the client's refusal to consent would normally refute this, as additional safeguards would be needed to gain the client's consent. We therefore believe this paragraph is largely redundant and would like to suggest it be revised to read: "If, having disclosed to the client and all known relevant parties the significance of a particular conflict of interest as well as any planned safeguards, the professional accountant is unable to obtain	IDW	The reference to the obtaining of consent being a safeguard has been removed from the text. New paragraph 220.11 has been added to address directly the consequences of failure to obtain consent. This includes the possibility of taking steps to eliminate the conflict through termination of certain relationships or disposal of certain interests. These are considered to be steps to eliminate the circumstances giving rise to the conflict rather than safeguards to address an

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		<p>consent from the client and such parties or otherwise concludes that safeguards cannot eliminate the threat to objectivity and any threat to compliance with other fundamental principles created by a conflict of interest or reduce it to an acceptable level, the professional accountant in public practice shall decline to perform or discontinue professional services that could result in the conflict of interest."</p> <p>The last two actions proposed (terminate certain relationships or dispose of certain interests to eliminate the conflict) are safeguards, and should be added to the bullet list in 220.7.</p>		existing conflict.
538.	220.10	<p>We urge the IESBA to consider distinguishing between assurance engagements and other activities. We recommend that proposed paragraph 220.8 should be added to for assurance engagements as follows:</p> <p><u>Assurance engagements</u></p> <p><u>220.10 In those circumstances where adequate disclosure is not possible by reason of constraints of confidentiality a member of an assurance team shall disengage from the relevant assurance engagement.</u></p> <p><u>220.11 Situations frequently arise which are perceived by clients to be a conflict of interest, but which in reality are no more than concerns about the confidentiality of information.</u></p>	NZAuASB	<p>Lack of independence is recognized as a type of conflict. A cross reference to independence has been added to clarify that in the case of assurance engagements independence requirements are also applicable. The Task Force does not consider that it is appropriate to provide a different standard in section 220 when evaluating conflicts of interest that might arise when considering accepting an assurance engagement. An example involving assurance has been added.</p> <p>The Task Force accepts that a conflict of interest might be perceived to arise merely because of the threat that performing a service for one party might breach a duty of confidentiality to another party. However, when evaluating conflicts of interest the Code emphasizes that the professional accountant needs</p>

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				to be alert to the principle of confidentiality and includes requirements for the situation where confidentiality itself precludes the obtaining of consent from all parties.
539.	300.5	The Code rightly says in paragraph 300.4 that “a professional accountant in business has a responsibility to further the legitimate aims of the accountant’s employing organization,” and “this Code does not seek to hinder a professional accountant in business from properly fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles, as mentioned in part A of the Code, may be compromised.” In addition, paragraph 300.14 of the Code points to some of the safeguards in the work environment, such as the employing organization’s ethics and conduct programs. However, this safeguard can also be perceived as a threat as many professional accountants in business are required to follow their organization’s code of conduct or ethics, which, in the committee’s opinion, might not be perfectly aligned with the Code. The Code should therefore mention how to deal with this matter, for example by expanding or referring paragraph 300.5 on how professional accountants in business can further an ethics based culture in their organization, including a code of conduct in line with the provisions with the Code. The committee would like to emphasize, however, that the responsibility for setting the organization’s standards of integrity and the avoidance of conflicts of interest rests first and foremost with the leadership of the organization.	PAIBC	In this situation the PAIB would follow the Conflict Resolution Process in Section 100.
540.	Detailed Wording			
541.	220.4	We suggest “compliance with the fundamental principles is compromised” in the paragraph 220.4 of the Exposure Draft should be revised as “compliance with the fundamental principles would be compromised”	CICPA	This sentence has been aligned to “compliance with the fundamental principles” is not compromised.
542.	220.4	We would invite the IESBA to reflect on the minor distinctions in wording across the conflict provisions that exist in relation to this test, as there is a risk of confusion in application on the part of the practitioner. The wording detailed within the different sections is as follows: <ul style="list-style-type: none"> Section 220.4 - “...would be likely to conclude, weighing all the specific facts and 	AAT	This sentence has been aligned to “compliance with the fundamental principles” is not compromised.

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		<p>circumstances available to the professional accountant at the time, that <u>compliance with the fundamental principles is compromised</u>;</p> <ul style="list-style-type: none"> Section 310.3- "...would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, <u>might compromise compliance with the fundamental principles.</u>" <p>AAT suggests it would be appropriate to amend the wording of both sections to read:</p> <ul style="list-style-type: none"> "... a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that <u>compliance with the fundamental principles is or might be compromised.</u>" 		
543.	220.5	<p>Para 220.5 - Amend the 3rd bullet to read "Evaluate the significance of relevant interests or relationships. In general, the more direct the relationship between the professional service and the matter on which the clients' <u>parties'</u> interests are in conflict, the more significant the threats may be;" as it is not just the clients' interests at stake.</p>	PwC	Change not made to maintain the flow from the beginning of the paragraph.
544.	220.5	<p>Paragraphs 220.5 and 310.4 Paragraphs 220.5 and 310.4 have similar bullet points for identifying and evaluating a conflict. We believe that bullet points 3 and 4 of paragraph 220.4 should be restated in the following manner to be consistent with paragraph 310.4:</p> <ul style="list-style-type: none"> <i>Evaluate the significance of relevant interests or relationships. <u>In general, the more direct the relationship between the professional service and the matter on which the clients' interests are in conflict, the more significant the threats may be.</u></i> <i>Evaluate the extent to which a professional service performed for more than one client may result in a conflict of interest. <u>In general, the more direct the relationship between the professional service and the matter on which the clients' interests are in conflict, the more significant the threats may be; and</u></i> <p>In the third bullet point of paragraph 310.4 we question the need to include materiality, which is not included in the third bullet point of paragraph 220.5, and propose that it be revised in the following manner:</p>	APESB	<p>Paragraph has been amended as recommended.</p> <p>Change made.</p>

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		<ul style="list-style-type: none"> Evaluate the significance or materiality of relevant interests or relationships; <u>and</u> 		
545.	220.5	<p>We believe the evaluation of an identified conflict should be similar whether you are in public practice or in business. As such, paragraphs 220.5 and 310.4 should mirror one another to the extent possible. We therefore recommend the third and fourth bullet in 220.5 be revised to read as follows:</p> <ul style="list-style-type: none"> "Evaluate the significance or materiality of relevant interests or relationships" "Evaluate the extent to which a professional service performed for more than one party may result in a conflict of interest. In general, the more direct the relationship between the professional service and the matter on which the parties' interests are in conflict the more significant the threats may be." 	RSM	220 and 310 have been aligned as far as possible.
546.	Matters outside the scope of this project and proposed to be considered as part of other IESBA projects			
547.	10	We suggest to include 'risk management' as a skill in the description of professional activities to make it clear that also activities in this area for instance regarding compliance, governance and risk management are professional activities.	NBA	Could be considered by the Part C working group
548.	10	With respect to the definition of "professional activities" performed by professional accountants in business (page five), the PAIB Committee recommends that the scope of activities could be further expanded to include professional accountants in business working in other capacities. For example, professional accountants in business who are working as a director of governance, risk manager, or compliance officer do not seem to be included. The term "management consulting" could be replaced with "providing competent advice on a variety of business-related matters" in line with paragraph 300.2 of the Code.	PAIBC	Could be considered by the Part C working group
549.	10	<p><i>New Definition of Professional Activity</i></p> <p>APESB is supportive of the new defined term Professional Activity and the way it links with the revised definition of Professional Services. When including the new definition of Professional Activity the APESB believes that is a good opportunity for IESBA to "modernise" the listing of activities since the existing definition of Professional Services is somewhat out of date.</p> <p>APESB recommends IESBA consider including activities such as financial reporting, financial planning, valuation services, forensic services, risk management and information technology under the definition of Professional Activity as professional accountants are increasingly involved in these areas of specialisation and do not relate as well to the more traditional definition of Professional</p>	APESB	Could be considered by the Part C working group

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		Services in the extant Code. For example: <i>Professional Activity: An activity requiring accountancy or related skills undertaken by a professional accountant, including financial reporting, auditing, taxation services, valuations, forensic services, wealth management, management consulting, risk management, sustainability reporting and information technology.</i>		
550.	10	In addition, the PAIB Committee recommends IESBA further explore inclusion in this section, or elsewhere in the Code, of additional examples on bribes/personal gifts; financial dealings in institutions where the professional accountant in business has access to privileged or price sensitive information;	PAIBC	Inducements are covered in Section 350 and could be considered by the Part C review working group.
551.	10 the case in extant Section 310.2. Also, we find from an advisory standpoint that the first set of bullet points in the latter is actually very useful; the language used is clear and the pressures identified have a generic resonance and relevance across stakeholder groups. This extant section also includes in the bulleted list the pressure to - "Lie to others; or otherwise intentionally mislead (including misleading by remaining silent) others, in particular: - The auditors of the employing organization; or - Regulators" which will disappear from the code if this paragraph is deleted. We would invite IFAC to reflect on the feasibility of retaining this and the other points, possibly under Section 300 if appropriate.	CIMA	The Task Force believes that these bullet points are not examples of conflicts of interest as described in 310.1, but are matters that PAIBs may be pressured to consider. As such they will be better considered in the Part C review project.
552.	10	It is helpful when referring to the code, to introduce a description at the beginning of sections 220 and 310 to aid clarity and establish context before moving on to describing the circumstances or situations where a conflict of interest may arise. This facilitates a more logical, methodical and, focused approach to the evaluation of the potential or actual conflict.	CIMA	A change of this nature would be required to all sections of the Code and may be better considered as part of the review of the Formatting of the Code.
553.	10	With regard to the examples being suggested for inclusion in Section 310, bearing in mind the	CIMA	These examples are not conflicts

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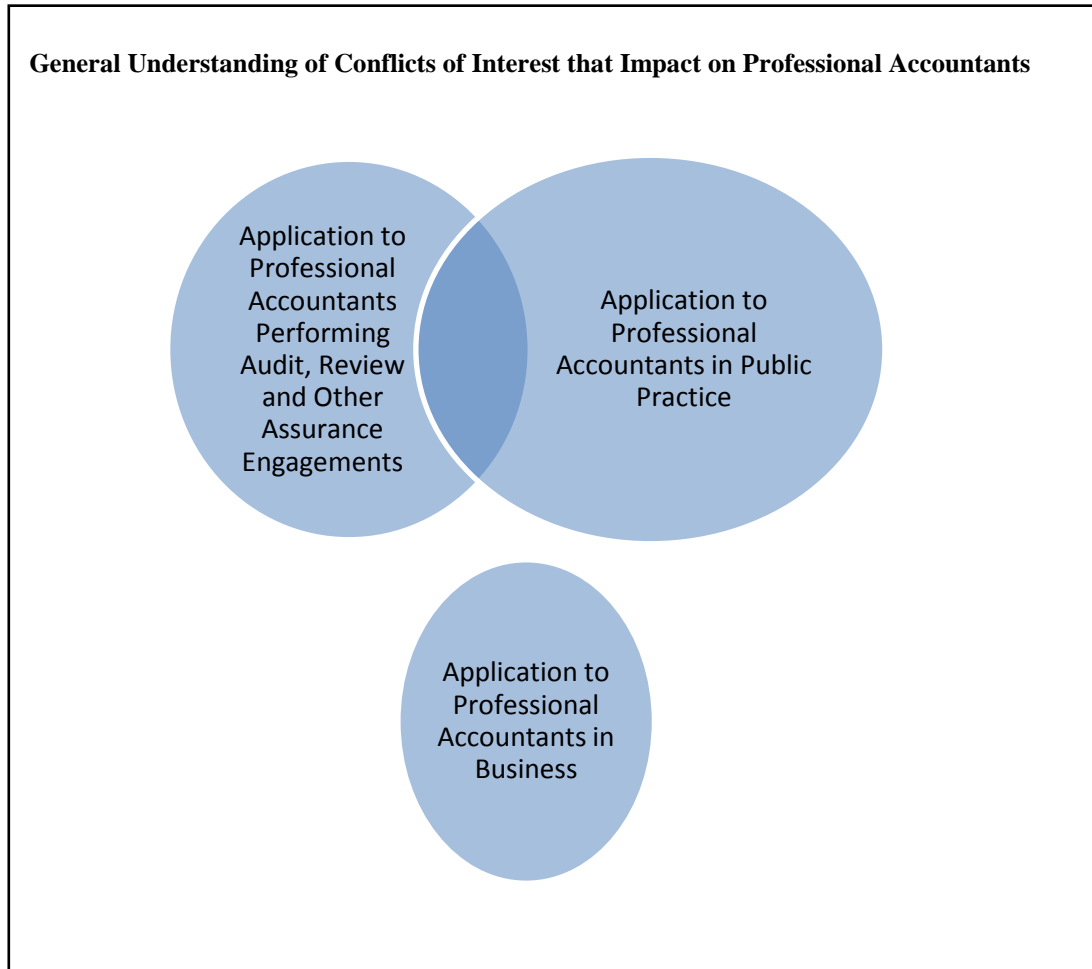
		<p>diversity of the accountants in business population; the scale and scope of their work; the different types of employing organisations, as well as geographical and cultural considerations, we feel that the list should be expanded so as to ensure the code is accessible as possible to all those who may seek guidance from it.</p> <p>These may include issues such as withstanding collective peer pressure (as mentioned in previous paragraph) or that imposed by a particularly dominant individual; discovering errors made by others which should be reported but are beneficial to the organisation in the short term; discovery of theft by a senior member of staff; conflicts which may be faced by family members within a family owned firm; discovery that the organisation is not complying with grant or loan conditions but intends to sign off a certificate of compliance – the list is not exhaustive and there will be many more examples which could be usefully included.</p>		of interest as defined in the revised ED. Therefore the matter may be considered by the Part C working group
554.	10	<p>Refer to our comments in the covering letter:</p> <p>In our view, the Code is a large and sometimes confusing set of principles and guidance. This Office has previously made submissions on the independence aspects of the Code. We remain of the view that the independence aspects of the Code are deficient in some fundamental ways. There is a possibility that a degree of complexity within the Code could be eliminated through a 'clarification' process.</p>	Auditor-General, NZ	This comment falls outside the remit of this project.
555.	10	Though we do agree with the IESBA's view that it is appropriate to consider how a conflict of interest would be viewed by the third part, we believe the standard is still subjective. We believe, suing the standard, two practitioners faced with the same conflict of interest might not arrive at the same conclusion.	ZICA	<p>Supportive comment.</p> <p>The IESBA notes the request for additional guidance on the application of the third party test.</p>
556.	10	We agree that the reasonable and informed third party standard is appropriate in this context. As we have commented in other submissions, we recognise that this is not a purely objective measure and is capable of some degree of interpretation. However, it is a widely used test within the profession (and is therefore reasonably well understood), and we know of no better test to substitute for it.	ICAA	<p>Supportive comment.</p> <p>The IESBA notes the request for additional guidance on the application of the third party test.</p>
557.	10	We appreciate that the reasonable and informed third party test would align the requirements to the	ICPAS	Supportive comment.

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		overall Conceptual Framework Approach found in paragraph 100.7 and promote consistency in the application of the principles in the Conceptual Framework Approach throughout the Code. However, IESBA should be cognizant of the fact that the reasonable and informed third party test is vulnerable to subjectivity. With the lack in further guidance, we are of the view that professional accountants will face difficulty in practice when applying the third party test. This will also entail subjectivity and inconsistency in application and interpretation. We would like to suggest that the IESBA consider providing further guidance and specific definitions in this area, for example, what or who is considered a "reasonable and informed third party".		The IESBA notes the request for additional guidance on the application of the third party test.
558.	10	We do not believe the reasonable and informed third party standard is inappropriate. However, we feel it is subjective and open to interpretation as to what the view of a reasonable and informed third party would be. Therefore, we believe the addition of the list of factors for consideration before accepting a new engagement noted at 220.5 useful and appropriate in the circumstances.	RSM	Supportive comment. The IESBA notes the request for additional guidance on the application of the third party test.
559.	10	We agree with the principle that the professional accountant should assess whether a reasonable and informed third party would be likely to conclude that the firm had a conflict of interest. However, any conclusion with respect to the third party test would be a matter of judgment. The IESBA should consider developing application guidance to address the third party test.	CPAB	Supportive comment. The IESBA notes the request for additional guidance on the application of the third party test.

Auditor-General, NZ

Specification of the General Principle of a Conflict of Interest



Legend

AAT	Association of Accounting Technicians
ACCA	The Association of Chartered Certified Accountants
AICPA	American Institute of CPA
APB	Auditing Practices Board (UK)
APESB	Accounting Professional & Ethical Standards Board Limited-Australia
Assirevi	ASSIREVI - Italy
Auditor-General, NZ	Office of the Auditor-General of New Zealand
BDO	BDO Global Coordination B.V.
CARB	Chartered Accountants Regulatory Board
CGA	Certified General Accountants Association of Canada
CICA	The Canadian Institute of Chartered Accountants
CICPA	Chinese Institute of Certified Public Accountants
CIMA	Chartered Institute of Management Accountants
CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes + Conseil Supérieur de l'Ordre des Experts-Comptables
CND-CEC	Consiglio Nazionale dei Dottori Commercialisti + E Degli Esperti Contabili
CPA Au	CPA Australia
CPAB	Canadian Public Accountability Board
DSFJ	Denise Silva Ferreira Juvenal
DTT	Deloitte Touche Tohmatsu
EYG	Ernst & Young Global
FAR	FAR
FEE	Fédération des Experts Comptables Européens
FSR	Foreningen af Statsautoriserede Revisorer
GT	Grant Thornton International
HKICPA	Hong Kong Institute of Certified Public Accountants
IBR-IRE	Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren

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ICAA	The Institute of Chartered Accountants in Australia
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAP	Institute of Chartered Accountants of Pakistan
ICAS	The Institute of Chartered Accountants of Scotland
ICJCE	Instituto de Censores Jurados de Cuentas de España
ICPAS	Institute of Certified Public Accountants of Singapore
IDW	Institut der Wirtschaftsprüfer
IMA	Institute of Management Accountants
IOSCO	International Organization of Securities Commissions
IRBA	Independent Regulatory Board for Auditors
JICPA	The Japanese Institute of Certified Public Accountants
KPMG	KPMG
Kreston	Kreston International
Mazars	Mazars and Guérard
MIA	Malaysian Institute of Accountants
NBA	Nederlandse Beroepsorganisatie van Accountants
NZAuASB	New Zealand Auditing and Assurance Standards Board
PAIBC	Professional Accountants in Business Committee of the International Federation of Accountants
PwC	PricewaterhouseCoopers
RSM	RSM International
SAICA	The South African Institute of Chartered Accountants
SAIPA	The South African Institute of Professional Accountants
WPK	Wirtschaftsprüferkammer
ZICA	Zambia Institute of Chartered Accountants