

# Supplement A to Agenda Item 3A

## Compilation of Comments – General Safeguards ED-1

**Note:** This supplement has been prepared for information only. A comprehensive summary of the significant comments received as of May 11, 2016 on the December 2015 Exposure Draft, [Proposed Revisions Pertaining to Safeguards in the Code—Phase 1](#) (Safeguards ED-1) and the Task Force’s related analysis are included in Agenda Item 3-A and 3B. IESBA meeting. All comment letters on the ED can be accessed [here](#).

**Please consider the environment before printing this supplement.**

**Note 2:** Members of the Monitoring Group are shown in **bold**.

**Note:** Members of the Monitoring Group are shown in bold below.

#	Source	Detailed Comment
1.	20EUAR	<p>As audit regulators, our mandate encompasses the oversight of the independence of statutory auditors, based on the requirements applicable in our respective jurisdictions.</p> <p>The IESBA Code of Ethics is used in several jurisdictions, but not in all of them. Even for those that do not use it, we clearly see an interest in enhancing its content, as it is used as a basis for some benchmarks at international level. Moreover, a number of audit firms and networks have voluntarily committed to complying with the IESBA Code.</p> <p><i>Structure of the Code:</i> We stress the need to provide a more explicit linkage between the fundamental principles in the conceptual framework, and the requirements and application material in the proposed revised Code relating to safeguards.</p>
2.	AAT	<p>AAT fully supports the direction of travel the IESBA proposes in this exposure draft, and agrees that the change of focus from “applying a safeguard” to “addressing a threat”; with requisite evaluation of effectiveness of the actions taken is the right approach to facilitate compliance with the fundamental principles. It is AAT’s view that this will enhance clarity, and be more appropriate and effective than the existing approach to the conceptual framework.</p>
3.	ACCA	<p>We welcome the objectives of this IESBA project, and agree that specific safeguards now considered inappropriate or ineffective should be clarified or removed from the Code. Focus on the effective application of the conceptual framework is of great importance. Enhanced clarity is, to a great extent, achieved by a well-structured Code that is not of excessive length, and ACCA believes that this should lead to higher ethical standards of behaviour, in the public interest.</p>

#	Source	Detailed Comment
		<p>We are also pleased that the exposure draft recognises the difficulties faced by small and medium practices (SMPs), which usually have fewer safeguards available to them. However, we believe the proposed changes do not go far enough to achieving improvements in this respect. The background to the exposure draft suggests that the challenges to SMPs arise from them having 'limited resources', although it might be argued that the only relevant limitation is the number of principals and staff available to implement effective safeguards. Clear application material that addresses this specific issue would be welcomed, and we expand on this in some of our responses below.</p> <p><b>Small and medium practices (SMPs)</b></p> <p>We believe that the proposals are an improvement with regard to the impact that they will have on the understanding of professional accountants within SMPs. The avoidance of duplication, and effective use of cross-referencing, will make the Code more accessible. However, we believe it is important that those working within SMPs must have easy access to more detailed information when they need it. For example, we explain above that examples of appropriate safeguards (or cross-references to them) would be useful in section 120, in order to better explain what safeguards are, while avoiding any suggestion that the range of safeguards generally available is limited.</p> <p>We explain, under question 5 above, how the examples of safeguards provided in section 300 may be set out in a way that is much more useful to SMPs.</p> <p><b>Developing nations</b></p> <p>Member bodies in different parts of the world operate within a range of cultural environments. The simplicity of the proposed structure of section 120, which remains principles-based, can help by providing a clearer framework, while providing the flexibility for tailored implementation guidance by professional bodies. There remains, however, a responsibility of the IESBA to provide detailed guidance, for those who might benefit from it, which would aid consistency of understanding and interpretation across all the IFAC member organisations.</p> <p><b>Translations</b></p> <p>The proposals would appear to include clarified language, consistent definitions and logical structure. We are not aware of any potential translation issues. However, this is a very important consideration, and we would be interested in any issues identified by other respondents.</p>
4.	AGNZ	<p>We have long held the view that adhering to the fundamental principles in the Code is absolutely essential if professional accountants are to carry out, and are seen to carry out, their public interest obligations. Previous submissions that we have made have focused on the topic of auditor independence. In those submissions, we have encouraged the IESBA to require a</p>

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		<p>higher standard to be met when auditors apply the ‘independence in appearance’ test. Because the ‘independence in appearance’ test is essentially the same as the ‘reasonable and informed third party’ test that is being promulgated in the Exposure Draft, we have a particular interest in the way this test is described and how it might be applied in practice.</p> <p><b>Request for General Comments</b></p> <p>(a) New Zealand is a small country with a population of less than 5 million people. New Zealand is dominated by SMPs, and our responses to the questions raised by the IESBA reflect a SMP perspective.</p> <p>(b) Developing nations face difficulties in applying the requirements of the Code when both auditing and financial reporting expertise is in short supply.</p> <p>(c) We have no comments to make on potential translation issues.</p>
5.	APESB	<p>APESB is supportive of the IESBA’s project to improve the clarity, appropriateness, and effectiveness of safeguards in the Code. The proposed revisions in the Safeguards ED will increase clarity around the application of fundamental principles, and create a conceptual framework that sets high-level standards while providing flexibility to suit various circumstances and professional activities performed by professional accountants.</p> <p>In developing APESB’s response to the Safeguards ED, we have taken into consideration Australian stakeholders’ feedback from two roundtable events conducted by APESB in Melbourne and Sydney in March 2016.</p> <p>We acknowledge that we have had the opportunity to review the New Zealand Auditing and Assurance Standards Board’s (NZAuASB) submission. We are supportive of NZAuASB’s submission subject to the comments within this submission.</p> <p>We look forward to the IESBA’s work on Phase 2 of the Safeguards project which will allow us the opportunity to critically evaluate the proposed changes pertaining to safeguards in their entirety. APESB will reconsider the recommendations in this submission, if required, for the IESBA’s developments announced in Phase 2.</p> <p><b>Recommendations</b></p> <p>APESB’s key recommendations for the IESBA’s consideration are:</p> <ul style="list-style-type: none"> <li>• perform a comprehensive review of the Safeguards ED in respect of the instances where the term “might” is used and critically evaluate whether the term is appropriate;</li> <li>• as a general principle, we believe that where a defined term is included in the glossary, then it is not necessary for the same definition to be reproduced in the text of the Code as this leads to unnecessary duplication (e.g. ‘acceptable level’ in paragraph 120.6 A1);</li> </ul>

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		<ul style="list-style-type: none"> <li>• remove the reference to Independence standards in paragraph 120.7 A1 or alternatively include examples that cover all professional accountants and not just auditors;</li> <li>• develop guidance on the timing and function of the overall assessment and how it differs from the re-evaluation of threats; and</li> <li>• where appropriate, clarify in safeguards that the specific task or review should be performed by a Partner or a senior professional accountant in public practice as distinct from another professional accountant in public practice.</li> </ul> <p>The focus on the revised conceptual framework and compliance with the fundamental principles in the proposed revisions makes the Code easier to understand and hopefully facilitate its implementation by SMPs. With the reclassification of some extant safeguards as conditions or policies and procedures, SMPs can focus on applying specific safeguards that address the relevant threats at the engagement level.</p> <p>We look forward to the IESBA's work on Phase 2 of the Safeguards project where we understand there will be a specific focus on the SMP sector and non-assurance services.</p>
6.	ASB	<p>We support the IESBA's objective of setting high-quality ethics standards for professional accountants around the world and facilitating the convergence of international and national ethics standards. However, we have some concerns regarding the proposed revisions to the IESBA Code that are presented within our General Comments below and in the responses to request for specific comments.</p> <p>Many member bodies, such as the AICPA, have converged and implemented the existing conceptual framework approach contained in the extant IESBA Code. In fact, the AICPA recently incorporated the existing approach into its revised Code as part of its project to restructure and codify the AICPA Code of Professional Conduct (AICPA Code) to bring it into closer alignment with the IESBA Code. Significant revisions to the conceptual framework approach in the IESBA Code resulting from the Safeguards project could result in a substantial burden on member bodies to revise their Codes, as well as other resources and tools developed on the conceptual framework, and therefore, may hinder efforts to effectively converge with the IESBA Code. For example, in addition to the new requirements, the revised approach requires the professional accountant to evaluate whether threats are at an acceptable level rather than evaluating the significance of the threats. While this may not appear to be a substantive change to the conceptual framework approach, the revised language would result in a rewording of the entire AICPA Code.</p> <p>Further, the IESBA Strategy and Work Plan described the Safeguards project as follows: "Review the safeguards throughout the Code from the perspectives of appropriateness and effectiveness, and consider whether changes should be made, including whether additional safeguards should be specified or whether existing safeguards should be removed." However,</p>

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		<p>based on our review of the proposal, it appears that this project has expanded beyond just reviewing the effectiveness of safeguards within the Code. The proposal revises the entire conceptual framework approach that has been embedded into the IESBA's and member bodies' Codes of Conduct. As most member bodies have incorporated the extant conceptual framework approach, including safeguards into their own Codes, the proposed revisions would have a significant impact on member bodies' Codes as well as other application materials and guidance relevant to the conceptual framework. Given the significant progress made by member bodies to converge to the existing conceptual framework, we believe any revisions made should be limited to clarity issues and not change the underlying meaning or concepts contained in the conceptual framework.</p> <p>We therefore ask IESBA to be mindful of any significant revisions made to the conceptual framework approach and determine whether the overall benefit to users of the Code outweighs the costs that will be incurred by member bodies to converge to the revised approach.</p>
7.	ASSIREVI	<p>ASSIREVI supports the aim to improve the <i>"correlation between threats safeguards and the fundamental principles"</i> of the Code. While it agrees with the consultation's intentions, ASSIREVI would like to emphasise the importance that the <i>"principle-based approach"</i>, the main pillar of the Code of Ethics, be maintained. Any revisions of the Code, especially as regards the <i>"fundamental principles"</i>, should not affect this approach. As such, we believe there is a risk that an undue emphasis on <i>"requirements"</i> may involve a transition in the Code's structure towards a <i>"rule-based approach"</i>, which we do not feel is appropriate. Accordingly, we trust that that the Board considers this risk when reviewing the proposals set out in the Exposure Draft.</p>
8.	BDO*	Overall, we are supportive of the proposed changes to the Code.
9.	CAANZ	As a professional body representing over 100,000 members we are supportive of any steps IESBA takes to improve the useability of the Code of Ethics for Professional Accountants (the "Code") by our members. Appendix A contains more information about Chartered Accountants Australia and New Zealand ("CA ANZ").
10.	CHI	The proposals in the Exposure Draft are generally clear and well presented.
11.	CNCC	As an introductory remark, we would like to draw your attention to the fact that the professional Institutes in France, and indeed certainly all over Europe have been well busy, during the last few months, with the EU audit directive to be transposed in their national environment, leaving little time and resources to examine in depth the IESBA exposure drafts. Also, considering the number of IESBA EDs over the same time period, we inform you that we are not sure to have identified all the

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		<p>comments that we would have liked to submit for this current ED. Therefore we may have additional comments that we would provide in phase 2.</p> <p>We would like to highlight that we do not comment hereby on the Structure of the Code; it will be done in an upcoming letter. Beyond that point, we believe that not having a complete view of that revised structure does not help to treat properly the current ED on safeguards. Also, we consider that the application material will be key especially for SMPs. Indeed, we deeply regret to be compelled to bring commentaries in two phases. The highest priority that we have identified, within the limit time, being listing safeguards which could be used by SMPs, is not discussed, or even mentioned, in the current ED, whereas they should have been assessed in conjunction with the proposed amendments. SMPs tending to face challenges from "having limited resources, including number of partners", as emphasised by IESBA in the Explanatory Memorandum of the current ED, the need for safeguards applicable to SMPs becomes urgent.</p> <p>Also, we are strongly opposed to additional requirements. The sole purpose of the current ED, as IESBA acknowledges in its Explanatory Memorandum, is to deal with clarity and appropriateness of safeguards. It has therefore deviated from the unique objective that was set to the ED. Furthermore, we have not been aware of any problems with the present Code which could justify such rewriting. Consequently, we firmly request the withdrawal of all new requirements.</p> <p>Finally, we draw your attention to the fact that, although French speaking developing nations are waiting for the new version of the Code, the translation being a long, burdensome and costly process, it will start only once main modifications are duly recorded. Furthermore, the fast pace of changes makes difficult an updated version being implemented, leaving, unfortunately, multiple versions running at the same time.</p>
12.	CPAA	Please note that we'll be providing general comments to the overall approach to IESBA's Exposure Draft: <i>Improving the Structure of the Code of Ethics for Professional Accountants - Phase I</i> .
13.	CPAC	<p>CPA Canada conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally. The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC's goals include achieving consistency between provincial CPA bodies in Canada and ensuring that the processes and standards in Canada meet or exceed the international standards.</p> <p>Thank you for the opportunity to provide our comments on this Exposure Draft. Although we appreciate the workload involved in IESBA's recently published timetable, we respectfully suggest our preference would be to consider the proposed multiple</p>

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		<p>and extensive revisions to the Code planned for this year in their entirety as opposed to tranches and phases. We believe this would enhance the ability of accounting bodies to conduct meaningful consultations with stakeholders, increase efficiency and enable more thorough responses.</p> <p>Generally, we support the recommendations made as explained by IESBA in the Explanatory Memorandum noting that the proposals are aimed at further promoting the use of the conceptual framework among all professional accountants to comply with the fundamental principles of the Code.</p>
14.	DJuvenal	I agree with this exposure draft.
15.	DTT*	<p>We support the Board's objective of maintaining a Code that remains credible and relevant in a constantly evolving global environment. We also recognize the importance of the Board being responsive to regulatory stakeholders if they have expressed concerns that certain safeguards in the Code may be inappropriate or ineffective.</p> <p>We support the Board's efforts to bring clarity to the application of safeguards, a fundamentally important aspect of the conceptual framework. We understand the many factors, including the public interest in auditor independence, are driving the Board to consider the practical issues specifically arising from the application of safeguards that pertain to non-audit services, and ensuring that these are understood and applied consistently and appropriately. Nonetheless, we consider that changes to the Code should only be supported by the Board if there is sufficient evidence that the current provisions or safeguards are not effective, and that the potential costs and benefits in making further changes have been appropriately weighed.</p> <p>The Board notes that the objective of this Exposure Draft is to improve the clarity, appropriateness and effectiveness of safeguards in the Code; however the Board has not set out an analysis in the Exposure Draft to support the rationale for also having reviewed the conceptual framework as a whole.</p> <p>In its November 2014 Consultation Paper on "Improving the Structure of the Code," the Board stressed the importance of the requirement to comply with the principles-based conceptual framework. It stated that "IESBA is mindful of the importance of the conceptual framework approach which addresses threats to compliance with the fundamental principles rather than simply complying with rules. IESBA believes that any changes to the structure of the Code should retain the conceptual framework approach." The conceptual framework is a framework against which the professional accountant can objectively evaluate his or her compliance with the fundamental principles. We consider however that the Board, in making changes to the wording together with the proposed re-structure of these provisions, has transformed the essentially principles-based fabric of the conceptual framework into a rule itself. This is significantly beyond the scope of this project.</p>

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		<p>The Board appears to be proposing a new rules-based approach to the application of the conceptual framework, predicated on specific activities that the professional accountant must perform. The new requirement in the conceptual framework for the professional accountant to identify threats [<i>R120.5: The professional accountant shall identify threats...</i>] followed by several mandatory steps, including the proposed re-evaluation and overall assessment activities, seems to have reduced the conceptual framework to a tactical checklist of compliance activities to be followed by the professional accountant. We believe that this will reduce the strength of the conceptual framework and is not in the public interest.</p> <p>We also urge the Board to demonstrate that it has balanced the expected incremental benefits of the many concurrent revisions of the Code being exposed, with the potential costs and impacts to the professional accountants who are required to understand and implement them. The current level of change to the Code has the potential for causing confusion for those who are requested to provide comments and ultimately may further inhibit the adoption of the Code.</p>
16.	EYG	<p>We support the Board's efforts to respond to these concerns and to continuously challenge the robustness of the Code. We believe improving the clarity, appropriateness and effectiveness of the provisions in the Code regarding safeguards are sound objectives and we are generally in agreement with the changes being proposed as part of Phase 1 of this project. However, we are concerned that with the other Board efforts currently underway, especially the Restructuring of the Code project, stakeholders may not be given the opportunity to adequately consider whether the changes being proposed achieve the intended objectives. We are concerned that stakeholders may not have appropriate time to consider the impact of the proposed changes under Phase 2 of this project, especially in light of the new drafting conventions that are being adopted as part of the Restructuring project.</p> <p>Five specific questions were identified on which the Board welcomed respondents' views and we have organized our response accordingly.</p> <p><b>Translations</b></p> <p>We believe there will be challenges to timely translation as a result of so many projects in motion at one time, coupled by the fact that some content will be published under the existing structure and then will have to be translated again when published under the re-structured Code. We encourage the Board to consider some of practical consequences and the timing of feedback being requested and of finalization of substantial and pervasive changes to the Code.</p>
17.	FAR	<p>FAR, the Institute for the Accountancy Profession in Sweden, has been invited to comment on the IESBA's exposure draft <i>Proposed Revisions pertaining to Safeguards in the Code - Phase 1</i>. FAR welcomes this opportunity to comment on the exposure draft. In FAR's opinion the revisions are an overall improvement, as they serve to make the Code more</p>



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		<p>comprehensible and useful for the individual Public Accountant. However, FAR would like to point out that the implementation of the Code requires time and that even helpful revisions of the Code risk undermining the process of implementation, if they are too frequent.</p> <p>(a) FAR is of the opinion that the changes will only have positive impacts on SMPs, as they serve to clarify the application of the conceptual framework and the use of safeguards.</p>
18.	FEE	<p>In our comments to the IESBA <i>Consultation Paper on the Proposed Strategy and Work Plan 2014- 2018</i> dated 20 February 2014, we made the following remarks:</p> <ul style="list-style-type: none"> <li>• importance of a pause in both ethics and independence standard setting</li> <li>• time for IESBA to focus on adoption and implementation of the Code</li> <li>• further relentless amendments to the Code cannot be justified</li> </ul> <p>We regret that these points have not been followed by IESBA, but understand that other stakeholders see this project on safeguards as strategic.</p> <p>The Federation's responses to the questions set out in the ED can be found in the appendix to this letter.</p> <p>As a first remark, these comments should be understood as preliminary. The Federation would like to assess Phase 2 of this project, as well as the outcome of the other EDs currently under consultation, before expressing any final opinion on the overall impact of the proposed changes to the Code. The rationale behind having two phases in this project is not clear. For some matters, such as small- and medium-sized practices (SMPs) and non-audit services, it would have been very useful to discuss them in Phase 1 rather than leaving it for Phase 2 as they should be assessed in conjunction with the proposed amendments. In addition, the overlap of this ED with the one on the structure of the Code makes it difficult to evaluate the potential impact of both projects on the clarity of the Code. We would have favoured a step-by-step approach, first allowing time for restructuring and then evaluation of the safeguards approach.</p> <p>Generally speaking, the Federation thinks that by adding further requirements the Code becomes rules-based, leading invariably to a tick-box approach. This change does not meet the needs of practice and can result in problems of application by professional accountants. Nevertheless, the Federation would like to express its full support to the increased prominence of the requirement to apply the conceptual framework.</p> <p>The imposition of the "third party test" is intended to provide a basis for establishing a framework to ensure the objective and rigorous assessment for determining the need for, as well as the nature and extent of, further action. It should be emphasised</p>

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		<p>that what is deemed to be a “reasonable and informed third party” is subjective and the reference to a “hypothetical person” only reinforces this approach without any benefit for the user.</p> <p>Regarding the “acceptable level”, the Federation considers that the proposed amendment introduces a different concept, making it unnecessarily more stringent, in replacing “to conclude that compliance with the fundamental principles is not compromised” with “to conclude that the professional accountant complies with the fundamental principles”. Although we understand the reasoning of shifting to an affirmative approach, this amendment does not bring added value as it is not very instructive on how professional accountants would achieve the intended result. The application of “acceptable level” by professional accountants is a well-established practice and therefore the Federation does not see a need for change.</p> <p>The proposed description of safeguards has to be assessed in conjunction with the other amendments introduced in this regard. Introducing the concept of effectiveness in the definition of safeguard is unnecessary as, by definition, the elimination of threats must always be effective.</p> <p>We have strong concerns in relation to the removal of certain conditions, policies, and procedures as safeguards. This adds confusion to the process and makes it more difficult for SMPs to consider how to apply the safeguards approach. The confusion comes from the fact that, in conjunction with the safeguards, another category has been implicitly created with these proposed amendments, namely ‘other’ elements that can be considered, but that should not be considered as safeguards anymore.</p> <p>Overall, we believe that IESBA is proposing a very strict concept of safeguard, disregarding important practical implications. We would also call for your attention to the proposed terminology harmonisation between materiality and significance: these two should not be mixed because some concepts are directly linked to audit (e.g. materiality) while others are not (e.g. significance).</p> <p>We appreciate the opportunity to provide input and hope that IESBA finds our comments helpful when amending the Code.</p> <p>a) As IESBA acknowledges in the Explanatory Memorandum of the ED, SMPs face unique challenges in employing safeguards due to their resources, including the number of partners.</p> <p>Therefore, it would have been very useful to discuss these challenges in Phase 1 rather than leaving it for a second moment (Phase 2), as this matter should be assessed in conjunction with the proposed amendments.</p> <p>We think that a cost-benefit analysis is required in this regard as IESBA should consider that reducing the availability of safeguards, sometimes limited to external review in the case of SMPs, could lead to increased costs in business.</p> <p>b) The Federation has no comment on this specific question.</p>

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		c) As stated in the general comments, the Federation would first like to assess Phase 2 of this project before expressing its final opinion on the overall impact of the proposed changes to the Code.
19.	FSR	<p>In our opinion, we would prefer a pause in both ethics and independence standard setting. This would have left time for IESBA to focus on adoption and implementation of the Code. Further relentless amendments to the Code cannot be justified. We regret that such views have not been followed.</p> <p>Our responses to the questions set out in the ED can be found in the appendix to this letter. Our general comments are as follows:</p> <ul style="list-style-type: none"> <li>• We have some concerns that the new structure could lead to a very comprehensive Code and many copy paste redundancies.</li> <li>• We would like to express our strong concerns in relation to the removal of certain conditions, policies and procedures as safeguards, as it adds confusion to the process and make more difficult for SMPs to apply the safeguards approach. The confusion comes from the fact that another category has been implicitly created with the proposed amendments in conjunction with the safeguards, namely <i>other elements than can be considered, but that should not be considered as safeguards anymore</i>.</li> <li>• Regarding SMPs, it would have been very useful to discuss these challenges in Phase 1 rather than leaving it for a second moment (Phase 2), as this matter should be assessed in conjunction with the proposed amendments.</li> <li>• We would also call for your attention on the terminology harmonisation and the proposed removal of the reference to materiality and significance: some concepts are indeed directly linked to audit (e.g. materiality) and some are not (e.g. significance) and these two should not be mixed.</li> </ul> <p>(a) <i>SMPs face unique challenges in employing safeguards due to their resources, including the number of partners. Therefore, it would have been very useful to discuss these challenges in Phase 1 rather than leaving it for Phase 2, as this matter should be assessed in conjunction with the proposed amendments. On top of that, we have strong concerns in relation to the removal of certain conditions, policies and procedures as safeguards, as it will be even more difficult for SMPs to apply the safeguards.</i></p> <p>(c) <i>We would like to stress the need to allow adequate time for a due process to translate and implement the new restructured Code. In our opinion, this process calls for at least one year. Therefore an effective date before January 2018 would seem inappropriate.</i></p>
20.	GAO	GAGAS provides a framework for conducting high- quality audits of government awards with competence, integrity, objectivity, and independence. GAGAS's use is required of auditors of both domestic and international U.S. government awards.

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		Therefore, we anticipate that the International Federation of Accountants' member professional accountants will under some circumstances be required to practice in accordance with GAGAS and the new International Ethics Standards Board for Accountants (IESBA) standard simultaneously. Our comments reflect the importance we place on reinforcing the values promoted in both the IESBA code and GAGAS.
21.	GTI*	We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.
22.	HICPA	We support the proposed amendments in the Exposure Draft, which provide enhanced clarity and robust application material relating to the conceptual framework.
23.	IAIS	In general, the IAIS believes the proposed revisions to the IESBA Code pertaining to safeguards should assist professional accountants in fulfilling their responsibility to act in the public interest and contribute to supporting audit quality.  The IAIS is of the view that the conceptual framework of the Code should be applied with equal rigor whatever the size of the practice.
24.	ICAB	(a) Small and Medium Practices (SMPs) – we have a good number of SMPs engaged in public practice who are already well aware about the Code and we believe that the revised Code will have no adverse impact for SMPs.  (b) Developing Nations – though Bangladesh is a developing country, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted the Code of Ethics as it is pronounced by the IESBA. The various stakeholders of the Code have always appreciated this initiative and have applied in discharging their respective responsibilities. However at present, we do not foresee any difficulties in applying them in our environment.  (c) Translations – ICAB follows a standard curriculum which is in line with that of ICAEW and the medium of education is in English Language. Besides, we always adopt and publish IFAC and Other Pronouncements in English Language. Therefore, we would rather prefer to get the final pronouncement for adoption in Bangladesh in English language.
25.	ICAEW	While we have not encountered significant issues with our members understanding the notion of the conceptual framework, we are supportive of this project to enhance discussion in the IESBA Code of Ethics (the code), the general approach taken, and its co-ordination with the structure project. We look forward to the output from phase II as the review of examples of specific safeguards that is included within that phase, should be the primary focus of this project. It is probably the key area where the project can add value to users of the code.

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		<p><b>OTHER DETAILED COMMENTS</b></p> <p>We note the reference to the public interest, specifically the words ‘meeting the responsibility to act in the public interest’. In our view the references elsewhere in the code to the public interest mean that the profession has a public interest duty, which it discharges by, among other things, setting the code in the public interest. The individual member’s public interest responsibility is to follow the code. We are concerned that the words referred to above could lead to an interpretation that individual accountants have an additional specific public interest duty. We are not sure that paragraph 120.1 needs to refer to the public interest at all, but if it is thought useful, it would be helpful to insert ‘profession’s’ before ‘responsibility’.</p> <p>The reference to parts C1 and C2 of the code, in the context of specific examples, do give the impression that circumstances where no safeguards could reduce the threat to an acceptable level are only likely to arise in assurance engagements. To avoid this erroneous impression, we suggest that the last sentence be generalised to something like ‘Examples of such situations are included in appropriate places in the code’.</p> <p>There is a slight awkwardness in the wording that could be revisited: the introduction refers to ‘the following types of clients or professional service’, and then goes on to list only types of client.</p> <p>Again, examples of types of service and relevant threats are cross-referenced only to parts C1 and C2. Surely there are discussions of other types of service in the rest of what is now to be part C under the restructure proposals?</p> <p>We note that the first example has been changed from ‘expectation that members of an assurance team will act in the public interest’ to ‘expectation that professional accountants will act in the public interest’. While we doubt that any change of substance was intended, we believe this does fundamentally change the example –see our comments on the public interest above.</p> <p>The first and second examples seem to be very similar: the second example, being more general, might suffice for the purposes of this paragraph.</p>
26.	ICAG	n/a
27.	ICAS	n/a
28.	ISJCE	<p>We are pleased to confirm the total support of the ICJCE to the comments set out in FEE comment letter and to highlight the following as a matter of special significance.</p> <p>We take as a given that the working group engaged with “safeguards” project, works closely with other groups within IESBA (e.g. “Improving the Structure of the Code” and “long association of senior personnel”). Nevertheless, we consider that</p>

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		<p>safeguards project will need to be re-opened after the completion of the restructuring of the code project, since it has a significant impact in safeguards. It is difficult to conclude on the proposed changes included in this Exposure draft while other projects, entailing other significant changes to the Code, are still in progress.</p> <p>Other comments in FEE letter with regard to the removal of certain safeguards or to the approach to SMP issues are also of concern for us and we hope that IESBA will consider them in preparing the final pronouncement amending the Code.</p> <p>Regarding translation issues, we, as a member of the IberAm project and translating body of IESBA Code and amendments, would like to remind IESBA the importance of the use of harmonized terminology that finally allows a high quality translation into other languages and facilitates a proper implementation of the Code.</p>
29.	ICPAK	n/a
30.	IDW	<p>In general we support the project and what it seeks to achieve as noted in para. 2 and 9 of the Explanatory Memorandum. We specifically support the intention to consider the need for alignment with ISA 220 issued by the IAASB noted in para. 2, although we suggest this not be confined to just this single Standard in Phase II (e.g., ISQC 1 and ISA 250 specifically need consideration, but this is a general issue). We note that consideration of both challenges faced by SMPCs and NAS will be given during Phase II and consideration of the need for additional guidance on threat evaluation for PIEs and non-PIEs will be deferred to future work.</p> <p>We firmly support the IESBA working alongside the IAASB in their project on quality control at firm level, as possible revision of ISQC 1 is currently under discussion.</p> <p><i>Overlap with the IESBA's Project to Restructure the Code</i></p> <p>Delineating this project from the Structures Project that is running in parallel is extremely challenging for respondents. We have found it necessary to include certain remarks in regard to specific issues in this comment letter as well as our comment letter relating to the Structure Project.</p> <p>We note the Board's belief that the fundamental principles establish overarching objectives professional accountants are required to meet (Para 9(a)(i) Explanatory Memorandum). In our comment letter concerning the restructuring of the Code we intend to suggest this be recognized in the redrafting, such that the Code would contain a number of general objectives supported by more specific requirements. Indeed, in regard to the Safeguards Project, we suggest that instead of requirements in R120.3 and R300.2 an overarching objective should be set for the professional accountant to apply the conceptual framework. This would serve in combination with the requirement for professional accountants to make an overall assessment</p>

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		<p>of whether or not the objective has been met, supported by the explicit requirements and application material advised by the CAG (see para. 16 EM). The advantage of such drafting is that compared to more general objectives, requirements can be more specific and thus expected actions are far clearer. Overly broad requirements such as those in R120.3 and R300.2 are difficult to apply in practice.</p> <p><b>Request for General Comments</b></p> <p><i>In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:</i></p> <p style="padding-left: 40px;"><i>(a) Small and Medium Practices (SMPs) – The IESBA invites comments regarding the impact of the proposed changes for SMPs.</i></p> <p>Other than discussed above, we have not identified any specific issues.</p> <p>We note that consideration of challenges faced by SMPs will be given during Phase II. In our opinion, these demand higher priority, especially given the significance of the SMP community globally.</p> <p style="padding-left: 40px;"><i>(b) Developing Nations — Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular, on any foreseeable difficulties in applying them in their environment.</i></p> <p>We do not comment on issues specific to developing nations.</p> <p style="padding-left: 40px;"><i>(c) Translations—Recognizing that many respondents may intend to translate the final pronouncement for adoption in their environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.</i></p> <p>We refer to our response to q. 3 concerning the potential for misunderstanding of the term “effectively” in 120.7 A2. We suggest the Board either use a different term or add clarification to ensure consistent interpretation in English and on translation.</p>
31.	IFIAR <sup>^</sup>	<p>The IESBA Code of Ethics (the Code) is used by some IFIAR members, but not by all of them. Moreover, a number of audit firms have voluntarily committed to complying with the Code. As a result, the IFIAR has an interest in enhancing the quality, clarity and enforceability of the Code.</p> <p>As audit regulators, we believe that the Code should be clear and enforceable and allow for audits to be performed on a</p>

<sup>^</sup> This letter was received after the Task Force's physical meeting. The Task Force plans to further consider the respondents' comments at its July 2016 meeting and refine its proposals as deemed appropriate.

#	Source	Detailed Comment
		<p>consistent basis.</p> <p>We wish to highlight certain areas in the proposed amendments that are concerned with quality, clarity and enforceability and could be further enhanced to meet our expectations.</p> <p><b>Structure of the Code</b></p> <p>We believe it is imperative that the requirements of the Code are sufficiently robust and lend themselves to being enforced. Furthermore, we stress the need to provide a more explicit linkage between the fundamental principles in the conceptual framework, and the requirements and application material in the proposed revised Code to mitigate the risk that some material could be seen as a list of examples to be addressed rather than material to support the assessments made by the professional accountant.<sup>5</sup></p> <p>The proposed amendments suggest that definitions are categorised as application material. We urge the Board to revisit how definitions are dealt with in the Code. Consideration should be given to a glossary of terms or identifying definitions as such within the Code, given their importance in the understanding of the Code.</p>
32.	IOSCO <sup>a</sup>	<p>We appreciate the Board undertaking what we see as establishing a general framework for accountants to consider threats to their compliance with the fundamental principles set out in the Code. However, we had different overall reactions to what the Board was proposing for the general framework in Section 120 as compared to the illustrative material for professional accountants in public practice, which is included in Section 300.</p> <p>Section 120 seems to provide a workable general framework although we had some comments and suggestions on the proposed text as noted later in the letter. In particular, whereas the proposed definition of a reasonable and informed third party test has merit, we have provided comments below related to its enforceability. Further, we suggest that this framework may be better titled a “general framework” rather than a “conceptual framework” because it establishes the approach that the Code will require accountants to take in assessing threats.</p> <p>With respect to Section 300, we are unclear as to its proposed function because it does not establish any new requirements for professional accountants in public practice rather it seems to provide illustrative information regarding threats that those accountants may encounter. The proposed amendments suggest that definitions are categorized as application material. We urge the Board to revisit this, given their importance in the understanding of the Code.</p> <p>Will the Board establish specific requirements for professional accountants in public practice in Phase II of the project and if so, how will this illustrative guidance be incorporated therein? Provided specific requirements are included in Phase II, we look forward to providing comments at that time. In the interim, we have conveyed some general thoughts from our experiences at</p>



#	Source	Detailed Comment
		the end of our letter for the Board's consideration.
33.	IPA	<p>We believe that the overall changes to the Code of Ethics for Professional Accountants (the Code) will emphasise the requirement to <u>reduce</u> a threat as opposed to having a more generalised approach to identifying broad safeguards. The IPA supports the proposals.</p> <p>In summary:</p> <p>We strongly advocate that sufficient time is provided to practitioners so they may fully understand and implement the changes required by the Code (from Phase 1 and Phase 2 of the project). The changes will impact policies and procedures of public practice firms and will also impact on professional accountants in business requiring time to educate and train professional accountants on the changes and how they will be impacted. We propose a minimum implementation timeframe of two years with an early adoption encouragement.</p>
34.	IRBA	<p>In preparing this comment letter, the IRBA through its CFAE hosted a seminar among users and practitioners to consider the exposure draft and has also drawn on feedback from the seminar in drafting these comments.</p> <p>The IRBA adopted Parts A and B of the International Ethics Standards Board for Accountants' (IESBA) <i>Code of Ethics for Professional Accountants</i> (the Code). This was prescribed in 2010 as the <i>Code of Professional Conduct for Registered Auditors</i> (the IRBA Code) in South Africa, with certain additional national requirements. The IRBA Code, with its <i>Rules Regarding Improper Conduct</i>, provides the basis for disciplinary action against registered auditors. As the IESBA's exposure draft on the proposed revisions pertaining to safeguards in the IESBA Code could result in possible amendments to Parts A and B, the IRBA has particular interest in the process.</p> <p><b>General Comments</b></p> <p>1.1. The IRBA supports the initiatives of the IESBA to improve clarity and eliminate inappropriate use of safeguards, thereby facilitating their adoption, effective implementation and consistent application.</p> <p>1.2. As a regulator of registered auditors, we are concerned about the enforceability of the Code. Likewise, we support initiatives that create an enabling environment for registered auditors to apply the Code. We believe that the Code is imperative in protecting the public interest and we thus support initiatives that promote ease in understanding the Code.</p> <p>1.3. While the exposure draft on the IESBA Code of Ethics for Professional Accountants has been drafted in the context of professional accountants, our responses are provided in the context of registered auditors who perform audits and reviews and also provide other assurance services.</p> <p>1.4. We note that the Board plans to continue considering whether additional guidance is needed in the Code to explain the</p>

#	Source	Detailed Comment
		<p>differences in the evaluation of whether a threat is at an acceptable level for a public interest entity (PIE) – see page 7, paragraph 7. We encourage the Board to consider this as part of this phase of the project as this is an important aspect that is not addressed in the extant Code. We are confused by the Board decision to address the general need for safeguards without addressing the higher risk prevalent in PIEs.</p> <p>1.5. While we understand that this project has been completed in parallel with the IESBA Re-Structure Project, reference is made to both the Code and the Standard in this exposure draft. Please reconsider these references as they will create confusion in the future.</p> <p>1.6. In light of the Restructured Code and the multiple references to the conceptual framework, especially in the requirements, we stress that sufficient clarity is required in the proposed amendments to safeguards to allow the IESBA Code to be robust and enforceable.</p> <p>1.7. There are certain words or phrases in this exposure draft that are unclear and need to be reconsidered, e.g. “so significant”, “deters”, “encourages”, “otherwise advise”, “many variations” and “recently”. The use of such words/phrases would make uniform application impossible, and create the likelihood of unsuccessful enforceability. In light of the Board’s commitment to clarity, we ask it to reconsider such words/phrases.</p> <p>1.8. We remind the Board of the recent IESBA exposure draft relating to non-compliance with laws and regulations (NoCLAR), which mentions “safeguards”. It appears that certain wording proposed previously will now be inconsistent with the definition proposed in the safeguards exposure draft.</p> <p>An example of this is the following extract from the NoCLAR Exposure Draft issued on 6 May 2015. The example provided below does not meet the proposed definition of a safeguard.</p> <p><i>“210.7 A professional accountant in public practice shall evaluate the significance of threats and apply safeguards, when necessary, to eliminate them or reduce them to an acceptable level. Examples of such safeguards include:</i></p> <ul style="list-style-type: none"> <li>• <i>Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently.”</i></li> </ul> <p>1.9. Words such as “safeguards” and wording similar to the extant IESBA Code of Ethics are used and applied in various IAASB International Standards on Auditing (ISAs)<sup>1</sup>. We would like to bring to your attention an example from the ISAs that is inconsistent with these proposed amendments to the definition of safeguards and will need to be reconsidered:</p>

<sup>1</sup> ISQC1, ISA 200, ISA 220, ISA 240, ISA 260, ISA 315(R), ISA 402, ISA 500, ISA 501, ISA 610, ISA 620, ISA 620

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		<p><i>In ISA 260: “A22(b) Safeguards created by the Profession, legislation or regulation, safeguards within the entity and safeguards with the firm’s own system and procedure.”</i></p> <p><b>A. Request for General Comments</b></p> <p>(a) The lack of clarity on some important concepts in the proposed amendments would make it especially difficult for SMPs as additional time and resources would be required for them to comply with the conceptual framework.</p> <p>(b) In environments of relatively recent adoption of the ISAs and the Code, the need for clarity is self-evident. The limited experience of practitioners, standard-setters and regulators with application of the Code, makes structure and enforceability of the Code paramount. With this in mind, we believe that emphasising the “elements of a safeguard”, as well as spelling out a “Six Step Conceptual Framework” would be very helpful.</p> <p>(c) We are highlighted throughout this letter, the terminology that is problematic to apply and will thus also pose difficulties in translation.</p>
35.	ISCA	<p>In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation and discussed the ED with members of the ISCA Ethics Committee.</p> <p>Generally, we agree with all the suggestions in the ED and do not have significant comments or additional insights, except for the following specific questions:</p> <p><u>Other comments</u></p> <p>For ease of reference and quotation, the IESBA could consider using proper numbering reference, such as (a) or (i) instead of bullet points when examples are listed, for instance in paragraph 120.5 A4.</p>
36.	JICPA	<p>The Japanese Institute of Certified Public Accountants (JICPA) appreciates this opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, <i>Proposed Revisions Pertaining to Safeguards in the Code—Phase 1</i>.</p> <p>The JICPA agrees to the <i>Proposed Revisions</i>, as they further clarify the description of safeguards and also enhance compliance with fundamental principles by better correlating a safeguard with the threat.</p> <p>In the Proposed Revisions, the number of examples of safeguards has been reorganized and cut down. However, some SMPs have requested for providing as many examples as possible in the code. We request more examples to be included.</p> <p>English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is</p>

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		translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.
37.	KICPA	<p>The Korean Institute of Certified Public Accountants (KICPA) is pleased to comment on the Exposure Draft (ED) issued by the International Ethics Standards Board for Accountants (IESBA), regarding “Proposed Revision Pertaining to Safeguards in the Code – Phase 1.” KICPA is a strong advocate of IESBA for your relentless efforts to increase the level of ethical standards that professional accountants are expected to perform and to serve the public interest by developing high-quality professional ethical standards.</p> <p><b>&lt;General Comment&gt;</b></p> <p>We understand that the purpose of this proposed ED on the safeguards is designed to improve how they are defined, in a bid to provide professional accountants with clarity on the conceptual framework of the Code, instead of changing the contents of the framework. Given this, the ED, in general, contributes to improving the clarity of the framework and increasing the applicability of the Code in practice, as we believe.</p> <p>The ED structures the framework into requirements and application material, respectively, their individual stages used for professional accountants to apply the framework in practice, which are outlined as follow: identifying threats to compliance with the fundamental principles; evaluating threats; and addressing threats. The structure is believed to increase clarity of the Code.</p> <p>In addition, unlike existing standards, the proposed ED provides clarified description of the safeguards as actions, taken to eliminate threats to compliance with the fundamental principles or to reduce them to an acceptable level, separate from conditions, policies, and procedures that are established by the profession, legislation, regulation, the firm or employing organization, all of which have impacts on evaluating threats. Plus, illustrative examples of safeguards are provided in relation with threats such safeguards can address. We support the general purpose of the Board that aims to increase the understandability of the definition of safeguards in practice, in addition to effectiveness of the application of safeguards.</p>
38.	KPMG*	n/a
39.	MIA	We thank the International Ethics Standards Boards for Accountants’ (“IESBA”) effort in improving the extant Code of Ethics for Professional Accountants (“the Code”) to deal with evolving ethics issues.
40.	NASBA	We offer one overall comment on the Exposure Draft, after which our comments relate to the specific questions raised in the draft.

#	Source	Detailed Comment
		<p>NASBA supports the efforts of the IESBA to strengthen the conceptual framework to make it clearer and to aid accountants in applying the framework in their practice. The AICPA recently completed a project to restructure the AICPA Code of Professional Conduct (COPC) and align it more closely with the IESBA Code. In the United States, individual state Boards of Accountancy have been working toward broader adoption of the COPC as the ethical standards applicable to U.S. CPAs. In many cases these changes require state legislative bodies to approve those changes, which may take years to accomplish. We believe that the IESBA should refrain from changes to the conceptual framework unless those changes provide substantive improvements to the Code, and should consider the impact on IFAC members' regulatory bodies.</p> <p>We would therefore ask the IESBA to carefully consider changes to the conceptual framework but we support the IESBA's effort to strengthen ethics standards.</p>
41.	NBA	<p>The NBA welcomes the opportunity to comment on the Exposure Draft "Proposed Revisions Pertaining to Safeguards in the Code - Phase 1". We read it with great interest.</p> <p>We are delighted to recognize several important similarities between the proposals and our national ethics and independence standards.</p> <p>In our response to the IESBA Consultation Paper "Improving the Structure of the Code of Ethics for Professional Accountants" we informed you about and presented to you our new ethical and independence standards (applicable since 1 January 2014). Both standards, taking national and European requirements in account, are closely based on the IESBA Code of Ethics for Professional Accountants ("the Code"). However, we introduced a few amendments, with the aim to emphasize the importance of the requirements 1) to comply with the fundamental principles, and 2) to apply the conceptual framework, including the third party test, in order to comply with the fundamental principles.</p> <p>We are of the opinion that the proposals will improve the prominence and the clarity of the conceptual framework and the third party test. We also believe the proposed amendments will increase the appropriate use of the conceptual framework. That will support compliance with the fundamental principles by professional accountants.</p>
42.	NFCPAAROC	<p>We acknowledge the efforts that IESBA is making and are supportive of the aim of the proposals to improve the clarity, appropriateness, and effectiveness of the safeguards in the Code. We apologize for submitting our response after the due date but hope that you find our comments helpful and take them into consideration.</p>
43.	NZAuASB	<p><b>Overall summary</b></p> <p>The NZAuASB is very supportive of the project to improve the clarity, appropriateness and effectiveness of the safeguards in the Code. The NZAuASB supports the IESBA's efforts to strengthen emphasis on compliance with the fundamental principles</p>

#	Source	Detailed Comment
		<p>throughout the Code and application of a clarified conceptual framework to enhance a principled based approach to the Code, with emphasis on the need to apply professional judgement. The NZAuASB also supports the IESBA continuing to promote and emphasise this approach when part 2 of this project progresses.</p> <p>The NZAuASB is supportive of the proposed new separate conceptual framework section 120, and the use of additional headings to provide more emphasis on the conceptual framework approach. The NZAuASB also supports linking the examples of safeguards to the threats they may address, and considers this may assist practitioners to apply the framework. The proposed streamlined language makes the requirements and guidance clearer. The NZAuASB does however recommend that the additional steps of re-evaluating the threats and performing an overall assessment should be added to proposed section 120.2 in order to provide a full list of the approach as proposed (further detail on this recommendation is detailed in the attachment). Use of similar headings in proposed section 300 assists in promoting and emphasising the conceptual framework approach.</p> <p>The NZAuASB also considers that further clarification could be made of the reasonable and informed third party test as outlined in the attachment below.</p> <p>The NZAuASB is supportive of all efforts to enhance consistent application of the framework but considers that efforts to clarify the Code may not be effective on its own to improve application of the threats and safeguards framework in practice. The NZAuASB understands that one objective of this project was to eliminate duplication between the Code of Ethics and the quality control and auditing standards. The NZAuASB is supportive of all efforts by the IESBA to work closely with the IAASB and IAESB to promote consistent application.</p> <p>The NZAuASB further encourages the IESBA to continue to work with the IAASB and the IAESB, as well as regulators, those charged with governance and management not only on the safeguards project but more broadly to promote consistent application with a focus on audit quality by all participants in the financial reporting chain.</p>
44.	OECFM	<p>We are pleased to inform you that we agree with the proposed revisions pertaining to safeguards in the Code - Phase 1. We have only general comments on the matters presented at paragraph 54 of the ED.</p> <p>(a) For SMPs in our country, there will be difficulties to practice all changes because the profession is in full development. The new fellow members have difficulties to obtain engagements. Hence, their new clients come generally from close relationship (family and acquaintances) : there will be a familiarity threat, described in section 120.5.A2(d), section 300.2.A1(d). We suggest that the "Ordre des experts-comptables et financiers" can help to resolve the problem by presenting a specific safeguard on it, for example, establishing a "customers exchange" agreement between 2 members.</p>

#	Source	Detailed Comment
		<p>(b) In our environment, bribery is a major problem, it should be specifically mentioned as another threat to be solved, as for now it is not clearly identified as intimidation threat, section 300.20AI (e)</p> <p>(c) It is difficult to translate the term "re-evaluate" because in trench language "to re-evaluate threats" means that the threats are the same but only their acceptability-level needs to be evaluated again. However, as it is described in 9 b and in section 300.2 AIO and AI , new threats must also be identified and evaluated. Hence, the term "permanent identification and evaluation" seems more clear and appropriate for translation purpose.</p>
45.	PWC*	<p>Overall, we believe that the proposed changes to the code will provide appropriate and enhanced guidance for professional accountants and will help with an understanding of the Code and its intended application.</p> <p>We do have some comments, however, and are responding to the proposals on an exception basis, as below. These comments largely relate to Question 1 posed by the Board.</p>
46.	RSM UK	n/a
47.	RSM*	<p>We support these proposals and the objective to more closely align the detailed requirements and guidance within the Code to Fundamental Principles. The identification and assessment of threats, and design of appropriate safeguards is vital to the maintenance of the profession's reputation and these improvements to the Code are both welcome and necessary to make sure that the Code is both fit for purpose for professional accountants in any environment and that it can be applied at a consistent high standard.</p>
48.	SAICA	<p>SAICA believes that there could be increased costs for compliance in terms of training and documentation requirements.</p> <ul style="list-style-type: none"> <li>• SMPs may not have the necessary resources and expertise (i.e. dedicated compliance department) to ensure that general ethical standards and revisions such as these are promptly and effectively adopted.</li> <li>• Furthermore, it is a well-known fact that most SMPs provide both accounting and other financial services (e.g. Advisory) and assurance services for same client with limited staff. This leads to high level of threat to compliance with fundamental principles.</li> <li>• With the above in mind, these changes do and will affect mostly those SMPs and IESBA needs to be cognisant of that fact.</li> </ul>
49.	SMPC	<p>Overall, we have been broadly supportive of the general direction and approach. We recognize and appreciate that the Board have acknowledged that SMPs can face distinct practical challenges in applying safeguards, often due to their limited</p>

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		<p>resources. In particular, we look forward to assisting the Board as it considers the unique challenges faced by the SMP sector as part of Phase II of the project.</p> <p>We believe that flexibility and the ability to exercise professional judgment are extremely important to professional accountants (PAs), no less so SMPs. In this context, we are not convinced that a third party test is necessary in circumstances where the Code requires a PA to exercise professional judgment. However, the so-called third-party test as proposed in R120.4 A1 does seem to make sense in relation to a determination of whether the professional accountant complies with the fundamental principles of the Code. We do not believe that additional third-party tests for specific matters are appropriate elsewhere in the Code beyond this.</p> <p>It is important that the Board maintains a principles-based approach in proposing changes to the Code in the area of threats and safeguards, and does not seek to impose rigid requirements that may prove difficult for SMPs to readily apply.</p> <p>We support the Board's intention to consider whether there is a need for alignment to the requirements and application material in ISA 220<sup>2</sup>, with respect to documentation of safeguards in the context of audits of financial statements in Phase II. However, we suggest that this is a general issue and it should not be confirmed to just a single standard. For example, ISQC 1<sup>3</sup> and ISA 250<sup>4</sup> may need specific consideration.</p> <p>We note that as part of its future work, the Board plans to consider whether additional guidance is needed in the Code to explain the differences in the evaluation of whether a threat is at an acceptable level for a public interest entity (PIE) and an entity that is not a PIE. This guidance may be particularly helpful for SMPs who primarily service SMEs. In our opinion, as the vast majority of entities across the world are SMEs—reliable sources estimate at least 90%—and account for the majority share of most jurisdictions' private sector employment and GDP, we feel this guidance demands a higher priority.</p> <p>The SMPC notes that the Board agreed to apply the proposed structure and drafting conventions developed under its Structure of the Code project and a Mapping Table was provided to assist respondents. This document is very helpful, but we found that separating this project from the Structure of the Code project was difficult. It has therefore been necessary to include some comments which will likely be repeated in our comment letter on the Structure of the Code Exposure Draft.</p>

<sup>2</sup> International Standard on Auditing (ISA) 220, *Quality Control for the Audit of Financial Statements*

<sup>3</sup> International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>4</sup> International Standard on Auditing (ISA) 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*



#	Source	Detailed Comment
50.	SRA	n/a
51.	UKFRC	<p>The FRC endorses the Board's proposals to make revisions to the Code, intended to clarify the requirements pertaining to safeguards, and to provide a better definition of safeguards and clarify that certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or the employing organization are not regarded as safeguards. We also strongly endorse the Board's efforts to bring greater consistency between the terms used in the Code.</p> <p>Our observations are drawn from our own experience of making revisions to the FRC Ethical Standard, including those required by the EU Audit Regulation and Directive. In doing so, we have sought to focus practitioners on the paramount importance of meeting the ethical outcomes required by our overarching ethical principles and supporting ethical provisions. We believe this will enable practitioners to better understand that this is the context in which the detailed requirements should be interpreted and that meeting those requirements is not in itself enough. In so doing, we are providing users of the standard with greater clarity as to the ethical outcomes they are expected to meet, and are supplementing the overarching principles and provisions with information on certain actions and behaviours that are necessary to meet those ethical outcomes.</p> <p>We also emphasise the importance of the objective, reasonable and informed third party test and explain how this provides a link between meeting the outcomes required by the overarching ethical principles and supporting ethical provisions set out in our standard, and the maintenance of public confidence in the accounting profession.</p>
52.	VRC	The VRC has reviewed the ED in relation to the Proposed Revisions Pertaining to Safeguards in the Code – Phase 1. It supports the proposed amendments to the code and has no further comments.
53.	WPK	<p>WPK welcomes IESBA's intention to revise the provisions pertaining to safeguards. However an overall assessment of the effects will be possible only after all phases have been completed. Compared to the extant provisions pertaining to safeguards we appreciate shorter sentences and a clear separation of application material and requirements. However, some explanations are very detailed, partly repeating and partly self-explanatory.</p> <p>Moreover we would like to add the following general concerns:</p> <p><i>Overlap with IESBA's project to restructure the Code.</i></p> <p>The division on the safeguards project into two phases, combined with the also two-phased restructuring project makes it difficult to assess the overall effect of the different EDs on the IESBA Code of Ethics.</p>

#	Source	Detailed Comment
		<p>It is quite challenging for respondents to assess the potential impact that these projects might have on the clarity of the Code. We would have preferred a step by step approach looking at the structure of the Code first before changing the safeguards approach.</p> <p><i>Change in meaning of safeguards in comparison to extant Code.</i></p> <p>The changed approach describes safeguards as “actions” taken by the professional accountant to “effectively eliminate threats...”(120.7 A2) and addresses, separately as sort of another category, “certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or employing organization” (120.5 A4) that “might impact the professional accountant’s evaluation of threats...” (120.6 A3). This approach might lead to confusion, and in particular makes it more difficult for SMPs, to understand and apply the conceptual framework. Furthermore, in addressing these “certain conditions” twice, first in the subsections on identification and then in the one on evaluation of the threats, it is unclear whether the PA is expected to consider such conditions, if they exist, in the phase where a threat is to be identified, or in the phase of threat-evaluation. This also raises the question how a PA is expected to document his or her assessment, if required to do so. Following this change of the approach, we suggest the Board to clarify that the requirement to identify threats does not include those threats which were already eliminated due to the existence of “certain conditions, policies and procedures established by the profession, legislation, regulation, the firm or employing organization”.</p>