

Task Force Detailed Responses to Alignment of Part 4B ED Comment Letters

Note: This Agenda Item has been prepared to inform the IESBA of the Task Force’s views on the responses (disagreement and mixed reactions only) to the Exposure Draft of *Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)*. The document is structured based on the questions posed in the ED (Questions 1 – 5), and lastly editorial comments.

Respondent	Respondent Comments	Task Force Views
1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of ‘assurance client’, are clear and appropriate for use in Part 4B?		
<p>APESB</p>	<p>Concerns:</p> <ul style="list-style-type: none"> • APESB believes the revised definition is not as clear and is circular. To clarify the parties who would be an Assurance Client, the definition could be revised to mean <i>‘the responsible party and any other party in an attestation engagement who takes responsibility for the subject matter information’</i>. • APESB has noted that while the definitions have been included to be consistent with ISAE 3000 (revised), the definition of responsible party has been unnecessarily amended. APESB is of the view that there is no need to reference direct or attestation engagements in the definition of responsible party, and that the definition in ISAE 3000 (Revised) should be maintained in the IESBA Code (i.e., the parties responsible for the underlying subject matter). <p>APESB also considers that refinements could be made to the following definitions:</p> <ul style="list-style-type: none"> • <i>Assurance engagement</i> – an addition could be included at the end of the definition to state that an assurance engagement can be either an attestation or direct engagement. • <i>Attestation engagement</i> – is overly complicated and could be simplified and refer stakeholders to the source definition and application material in ISAE 3000 (Revised). • <i>Financial Statements</i> - there is scope to enhance this definition by referring to the applicable financial reporting framework. For example, APESB has included the following text in the definition of financial statements in the Australian Code (APES 110): <i>‘The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements. For the purposes of this Code, financial report is considered to be an equivalent term to Financial Statements.’</i> • <i>Underlying subject matter</i> – the reference to phenomenon may not be understandable to many stakeholders as it is not a commonly used term and we query whether this definition is necessary to understand the proposed revisions to Part 4B (refer to the response to question 3 below). 	<ul style="list-style-type: none"> • The Task Force is of the view that ‘measurer or evaluator’ is not necessarily responsible for the subject matter information. Task Force proposes no change to the definition. Refer to agenda item 5A for further discussions, including recommendation of an additional paragraph to emphasize need to apply conceptual framework with respect to other parties involved in the engagement. • The Task Force is of the view that no change is required for the reasons explained in the Explanatory Memorandum. • TF recommends adding this at the end of paragraph 900.7. • The definition is taken directly from ISAE 3000 (Revised) as requested by the Board. Task Force does not propose any change. • The text has been extracted from the IAASB Glossary. It is not within the scope of this project to make any change and it is outside the remit of the IESBA. Task Force does not propose any change. • The Task Force is not proposing a change as the wording is as per ISAE 3000 (Revised).

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Respondent	Respondent Comments	Task Force Views
1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
BDO	<ul style="list-style-type: none"> • There is no specific reference to the new term 'direct engagement' in the IESBA Code other than in the definition of responsible party. In Par 900.16 A1, it states. 'In some assurance engagements, whether attestation or direct, there might be several responsible parties.' • We would recommend adding 'engagements' as follows, 'In some assurance engagements, whether attestation or direct engagements, there might be several responsible parties.' • The last line of the definition of direct engagement is: In a direct engagement, the accountant's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria.' The portion in yellow highlight is the definition of subject matter information, therefore, we would recommend revising the last line to, In a direct engagement, the accountant's conclusion addresses the reported subject matter information.' 	<ul style="list-style-type: none"> • The Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • The Task Force is not proposing a change as the wording is as per ISAE 3000 (Revised).
CPA Malaysia	Proposed changes to the key terminology are also clear but perhaps the new definition of 'underlying subject matter' could be further improved. This is because the new definition refers to 'phenomenon', which in itself may be unclear and could be clarified by inserting examples.	The Task Force is not proposing a change as the wording is as per ISAE 3000 (Revised).
Deloitte	<ul style="list-style-type: none"> • We agree with the proposed revised definition of "assurance client," however we are concerned practitioners may not understand and properly apply the new independence requirements in an assurance engagement where there are potentially multiple assurance clients. This is accentuated given much of the descriptive content, such as the only example of an assurance engagement where the responsible party might not be the party responsible for the subject matter information (extant paragraph 900.19 A1) and the examples in Interpretation 2005-01, has been deleted. • As the nature and purpose of assurance engagements are rapidly evolving to respond to the changing needs of users and increased complexity of business models and technology, we expect to see an increase in assurance engagements where the professional accountant may be required to be independent of multiple assurance clients. We suggest for the IESBA to consider developing practical guidance or case studies through a staff publication to assist practitioners in identifying the parties from which independence is required, particularly in new and emerging areas, to enable practitioners to better evaluate and comply with the independence obligations. 	<p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material to illustrate the application of the Code to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>Due to the complexity of the terminology used in ISAE 3000 (Revised), the Task Force is of the view that this should be a joint exercise with IAASB.</p> <p>Refer to agenda item 5A for further discussions.</p>

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1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
FRC	<ul style="list-style-type: none"> • We disagree with the IESBA view, set out in paragraph 21 of the Explanatory Memorandum, that “although the term ‘assurance client’ is not used in ISAE 3000 (Revised) or in other IAASB material, it is nevertheless preferable to use this term in Part 4B for ease of reference when describing the party or parties from whom the professional accountant in public practice is required to be independent.” We believe that standard setters should avoid using the term ‘client’ in reference to the entity and/or the responsible parties that engage the professional accountant (the ‘contractual client’). There is a strong concern among stakeholders that using the term in that way can engender the wrong mindset in professional accountants, who should be focused on the needs and interests of the intended users/beneficiaries of their reports (the ‘beneficial client’). • It is important that there is clarity as to the parties the professional accountant is required to be independent of. This is best achieved by being more specific in describing those parties within the requirements and application material of the Code rather than using a shorthand term, such as ‘assurance client’, the meaning of which is not always intuitive without referring to the definition. • Although not the subject of this consultation, we would note that, for the same reasons, we believe the IESBA should similarly avoid using the term ‘audit client’ in the way it does. 	<ul style="list-style-type: none"> • The Task Force is of the view that the use of term simplifies the understanding from whom to be independent. The Task Force has added a new paragraph to clarify from whom independence is required for clarification. • The Task Force is of the view that the use of term simplifies the understanding from whom to be independent. The Task Force has added a new paragraph to clarify from whom independence is required for clarification. • The Task Force is of the view that this is out of scope of this project.
GAO	<p>We believe that some of the changes in the key terminology in the exposure draft should be clarified, including the possible inclusion of examples in the definitions. Specifically, the definition of ‘assurance client’ is not clear regarding the assurance client for direct engagements. The definition should be clearer and International Ethics Standards Board for Accountants (IESBA) should consider including an example for a direct engagement. Also, the definitions of subject matter information and underlying subject matter can be further clarified and would benefit from examples, so a user can clearly distinguish between the two terms.</p>	<p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material, in liaison with IAASB, to illustrate the application of the Code to the various</p>

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1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
IBRACON	<ul style="list-style-type: none"> • Although this Part 4B of the Code states the definition for “assurance engagement” which includes the “responsible party” and also “the party taking responsibility for the subject matter information”, this could be misleading as to the difference between both parties. To understand this difference, practitioners should also understand clearly the definition of “underlying subject matter” and the “subject matter information”. Based on this potential mislead, we would suggest that the Code provides examples when the responsible party could be different from the “party taking responsibility for the subject matter information”. This could be exemplified as the Explanatory Memorandum described the role of the measurer or evaluator for attestation engagements. • Additionally, the Code could provide further examples of “direct engagements” in order to facilitate to practitioners how to understand clearly those situations. 	<p>parties involved in an assurance engagement, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>The Task Force is of the view that this should be a joint exercise with IAASB.</p> <p>Refer to agenda item 5A for further discussions.</p>
ICAEW	<ul style="list-style-type: none"> • There are some areas where we consider that the terms used could be clearer, although we note that these terms derive from ISAE 3000 (Revised), and therefore cannot be changed at this juncture. Two particular terms that we fear may cause confusion among users of the code are 'underlying subject matter' and 'subject matter information', which to those unaccustomed to ISAE 3000 (Revised) may appear to refer to the same item when this is not the case. These terms are used extensively throughout the Part 4B Exposure Draft, so some clarity that one term refers to source data, and the other to reported information, would be helpful to users. 	

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1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
IDW	<p>We do not entirely agree with the new definition of assurance client. Given the definition of "measurer or evaluator" in ISAE 3000 (Revised) paragraph 12 (n) as the <u>party(ies) who measures or evaluates the underlying subject matter against the criteria</u>, and the definition of an attestation engagement in ISAE 3000 (Revised) paragraph 12 (a) (ii) a. as an assurance engagement in which <u>a party other than the practitioner measures or evaluates the underlying subject matter against the criteria</u>, we believe it to be crucial that in an attestation engagement the professional accountant not only be independent of the responsible party and the party taking responsibility for the subject matter information (i.e., the party taking responsibility for the measurement or evaluation), but also be independent of the party actually measuring or evaluating the underlying subject matter against the criteria (defined as the "measurer or evaluator"). If this were not the case, a party from which the professional accountant is not independent would be able to undertake the measurement or evaluation and then have another party independent of the measurement or evaluation take responsibility for the subject matter information. This would essentially undermine the difference between an attestation engagement and direct engagement from an independence point of view.</p> <p>For these reasons, we believe the definition of assurance client ought to read as follows:</p> <p>"The responsible party, and also in an attestation engagement, the party taking responsibility for the subject matter information (who might be the same as the responsible party) and the party undertaking the measurement or evaluation (who might be the same as the party taking responsibility for the subject matter information).</p> <p>The text in paragraphs 900.14 A1 and 900.14 A2, as well as the last bullet point of paragraph 940.3 A4 and paragraph 940.3 A4, in the draft would need to be amended accordingly.</p> <p>Since the role of the party actually undertaking the measurement or evaluation is important in this context, we believe that the definition of "measurer or evaluator" from ISAE 3000 (Revised) should also be included in the Glossary of the Code.</p>	<p>The Task Force is of the view that 'measurer or evaluator' is not necessarily responsible for the subject matter information. Task Force proposes no change.</p> <p>Refer to agenda item 5A for discussions on this comment, including recommendation of an additional paragraph to emphasize need to apply conceptual framework with respect to other parties involved in the engagement.</p>

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1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
IRBA	<p>We believe that the definition of 'assurance client' is unclear and not appropriate for use in Part 4B of the IESBA Code. The responsible party is responsible for the underlying subject matter (as set out in the definition of a 'responsible party') and the party that takes responsibility for the subject matter information is the measurer or evaluator.</p> <p>As such, we recommend that the definition of 'assurance client' could be clarified to specify that the party responsible for the subject matter information is the measurer or evaluator, as follows:</p> <p><i>“Assurance client”: The responsible party, and also, in an attestation engagement, the party (measurer or evaluator) taking responsibility for the subject matter information (who might also be the same as the responsible party).”</i></p>	<p>The Task Force is of the view that 'measurer or evaluator' is not necessarily responsible for the subject matter information. Task Force proposes no change. Refer to agenda item 5A for discussions on this comment, including recommendation of an additional paragraph to emphasize need to apply conceptual framework with respect to other parties involved in the engagement.</p>
KPMG	<p>We agree that the changes in terminology are generally appropriate, but believe that the changes would benefit from referencing specific examples used in ISAE 3000 (Revised) paragraphs 6 and 8, as well as examples in the IAASB Extended External Reporting Assurance document (specifically the “Contextual Information” document) and in the Assurance Framework.</p>	<p>The paragraphs cited state what is not an assurance engagement therefore Task Force proposes no change as not appropriate to include here.</p> <p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material to illustrate the application of the Code to the various parties involved in an assurance engagement, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>The Task Force is of the view that this should be a joint exercise with IAASB.</p>

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1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of 'assurance client', are clear and appropriate for use in Part 4B?		
MIA	<ul style="list-style-type: none"> • There is no reference to the new term 'direct engagement' in the revised Part 4B of the Code other than in the definition of responsible party. We therefore would like to suggest that in paragraph 900.16 A1, an amendment be made to allow the defined term to be searched in the Code, as follows: "In some attestation or direct engagements, there might be several responsible parties...." • Additionally, we would like to suggest that an example of an attestation engagement and a direct engagement with similar fact patterns be shown to illustrate the application of the Code in different situations. 	<ul style="list-style-type: none"> • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material to illustrate the application of the Code to the various parties involved in an assurance engagement, including examples of direct engagements themselves. <p>The Task Force is of the view that this should be a joint exercise with IAASB.</p> <p>Refer to agenda item 5A for further discussions.</p>
NZAuASB	<p>We do not believe that use of the term "assurance client" is appropriate due to the following reasons.</p> <ol style="list-style-type: none"> 1. The definition of an assurance client may be too restrictive 2. It might be inappropriate to refer to parties other than the intended users of an assurance engagement as "clients" <p>In an assurance engagement the ultimate objective of the professional accountant is to address the needs and interests of the intended users/beneficiaries of their reports. Referring to parties other than the intended users of the assurance report as "clients" may inadvertently affect the mind set of the professional accountant in a manner inconsistent with the objectives of an assurance engagement.</p>	<ul style="list-style-type: none"> • Refer to agenda item 5A for further discussions. The Task Force does not propose any change. • Refer to agenda item 5A to see suggested new paragraph 900.14 A3. The Task Force does believe that assurance engagements other than audit and review engagements do attract complexities which might warrant additional guidance. The positioning of the proposed new paragraph 900.14 A3 is included in Agenda Item 5B for the consideration of IESBA members.

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	2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?	

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<p>APESB</p>	<p>Part 4B requires professional accountants to apply the conceptual framework to identify and address any threats to independence in relation to both the underlying subject matter and the subject matter information. However, the IESBA Code has historically differentiated between these two elements in respect of certain circumstances and relationships, with greater emphasis placed on the subject matter information creating threats to independence.</p> <p>For example, Part 4B highlights that a threat is created where an immediate family member of an assurance team member is an employee in a position to exert significant influence over the underlying subject matter (paragraph 921.4 A1), which then needs to be evaluated and addressed under the conceptual framework. As this situation relates to the underlying subject matter, it is applicable to both direct and attestation engagements. Whereas, if an individual's immediate family member is an employee in a position to exert significant influence over the subject matter information (applicable to attestation engagements only) that individual is automatically prohibited from participating in the audit team (paragraph R921.5(b)), negating any application of the conceptual framework.</p> <p>The proposed revisions to Part 4B limits certain relationships that create threats to independence to attestation engagements and to the subject matter information (and not the underlying subject matter) for these engagements. This is noted in paragraphs 921.6 A1(b), R921.7(b), 921.8 A1(b), R922.3(b), 922.4 A1(b), 924.3 A1 and R924.4(b). APESB is concerned that this may result in auditors not considering other relevant parties when assessing the auditor's independence.</p> <p>There are also differences between how Part 4A and Part 4B of the IESBA Code apply. For example, paragraph R521.5 under Family and Personal Relationships prohibit "an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion" from participating in the audit team. It would seem that 'accounting records' would be akin to the underlying subject matter, and 'financial statements' would be akin to the subject matter information.</p> <p>The Part 4B ED refers to potential threats in an attestation engagement if the firm is involved in the preparation of the subject matter information which subsequently becomes the subject matter information in an assurance engagement (paragraph 950.8 A1). It is unclear how this would occur in practice when in an attestation engagement, the professional accountant is not responsible for the subject matter information. APESB queries whether this requirement is more relevant to direct engagements or, if relevant to attestation engagements, the IESBA should provide additional guidance to clarify this obligation.</p> <p>Also, APESB believes the reference to an attestation engagement in subparagraph 950.8 A1(b) is unnecessary as paragraph 950.8 A1 has also been amended to refer to attestation engagements.</p>	<ul style="list-style-type: none"> • The Task Force agrees to extend the following paragraphs to apply to the individuals with significant influence over the underlying subject matter: <ul style="list-style-type: none"> - 921.6 A1 - R921.7 (b) - 921.8 A1 (b) - R922.3 (b) - 922.4 A1 (b) - 924.3 A1 (b) - R924.4 (b) <p>Refer to agenda item 5A for further discussions and agenda item 5B to sight the amendments.</p> <ul style="list-style-type: none"> • Paragraphs 921.4 A1 to A4 set out the factors to consider with respect to relationships with employees in a position to exert significant influence over the underlying subject matter. With this guidance in place, it does not appear necessary to extend the prohibition to R921.5 to all such relationships with respect to the underlying subject matter. • Example (a) is a case of this situation and could conceivably happen in practice. Task Force does not agree that this is applicable to a direct engagement where the practitioner is responsible for the subject matter information and therefore no change proposed. • Task Force accepts the proposal to amend for clarity. Please refer to agenda item 5B to sight the amendments.
<p>Deloitte</p>	<ul style="list-style-type: none"> • When evaluating independence requirements, the "client" (the party from whom the professional accountant in public practice is required to be independent) is often 	<ul style="list-style-type: none"> • It is not necessary to add a paragraph because the definition of assurance client is clear and the Code

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2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?		
	<p>generally understood to mean the party that engages the accountant. However, under Part 4B, the professional accountant in public practice is not required to be independent of the engaging party unless they are the responsible party or the party taking responsibility for the subject matter information. Paragraph 900.14 A2 is the only place that refers to the “engaging party” which may create confusion because it has no context given the deletion of the guidance on assurance engagements and it is not defined in the Code. We recommend for clarity that it be specifically stated in the relevant application guidance, possibly in a new paragraph 900.14 A3, that the professional accountant in public practice is not required to be independent of the engaging party if they are not the responsible party or the party responsible for the subject matter information.</p> <ul style="list-style-type: none"> • Proposed paragraph 900.16 A1 is sub-titled “Multiple Responsible Parties” and refers to assurance engagements where there may be multiple responsible parties. However, it is unclear what the intention was behind the amendment of “each responsible party” to “each individual party” and the amendment of “the particular responsible party” to “the particular party.” The deletion of “responsible” in both cases seems to imply a broadening of the provision beyond the responsible parties to other parties, despite the sub-title of the section. We recommend re-instating the references to “responsible parties” for clarity. • It is also unclear why proposed paragraph 900.16 A1 now requires the professional accountant in public practice to take into account the “significance” rather than the “materiality” of the underlying subject matter when determining whether it is necessary to be independent of each responsible party. Materiality is a well understood and well-defined accounting concept that is used in ISAE 3000 (Revised) and described in Paragraph 950.4 A2, involves the exercise of professional judgment and incorporates qualitative and quantitative considerations. Conversely, the suggested move to significance (in conjunction with the extension of the independence requirements) could introduce less clarity, less consistency and more complexity. 	<p>requires conceptual framework to be applied generally. However, the Task Force is proposing to add a paragraph (900.14 A3) to illustrate how this point might be addressed. Please refer to agenda item 5B to sight the amendments.</p> <ul style="list-style-type: none"> • Task Force accepts the proposal to amend the extant Code for clarity. Please refer to agenda item 5B to sight the amendments. • Task Force accepts the proposal to amend the extant Code for clarity. Please refer to agenda item 5B to sight the amendments.

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<p>2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?</p>		
<p>FRC</p>	<p><u>Split of assurance engagements</u></p> <p>We identified in our response to the IESBA's ED for phase 2 on improving the structure of the Code that we consider the independence considerations for 'public interest' assurance engagements are the same as those for audit engagements. When we revised our Ethical Standard, we developed it to apply to audit and other public interest assurance engagements and we continue to recommend that IESBA takes the same approach. This would eliminate unjustifiable inconsistencies such as less stringent independence requirements for other public interest assurance engagements than for audits. For example, with respect to non-assurance services, Section 950 of Part 4B is considerably shorter than the corresponding Section 600 of Part 4A, which addresses non-audit services, and does not include any subsections specific to particular types of non-assurance service.</p> <p><u>Treatment of ISA 805 (Revised) and classification of different types of assurance service</u></p> <p>Related to the split of assurance services in the Code, we disagree with the IESBA including audit engagements conducted under ISA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement, within the scope of Part 4B of Code, which applies to other assurance engagements, rather than Part 4A, which applies to audits and reviews. The IESBA's rationale is that, notwithstanding that it acknowledges that these are audit engagements under IAASB standards, it believes it is not appropriate or necessary to apply the independence requirements in Part 4A to these engagements given their narrow scope. It also seeks to justify this treatment on the grounds that these are not audit engagements as defined in the Glossary to the Code because they do not relate to financial statements as defined in the Glossary. This is not acceptable – IESBA and IAASB should be consistent in defining the different types of assurance engagement.</p> <p>In addition to our disagreement with the treatment of ISA 805 (Revised), we set out in our responses to the restructuring EDs why, notwithstanding that the independence considerations are essentially the same, the IESBA should not use the term 'audit' to encompass 'review' engagements which are very different in nature and levels of assurance. It is unhelpful and confusing for the IESBA to classify engagements which are not audits as audits, and engagements which are audits as other assurance services.</p>	<ul style="list-style-type: none"> • Refer to agenda item 5A for further discussions. The Task Force does not propose any change. The matter of public interest assurance is being considered by the Non – Assurance Services Task Force. • Refer to agenda item 5A for further discussions. The Task Force does not propose any change.

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2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?		
GAO	<p>The reworking of the explanatory material in paragraphs R900.19 A1 into R900.14 A2 should retain an example so that users can understand when this situation can occur.</p> <p>We believe that the Code should not allow practitioners to modify independence requirements by issuing a report that includes a restriction on use and distribution, especially with direct reports and the potential for multiple responsible parties.</p>	<ul style="list-style-type: none"> • The Task Force proposes that examples should be included in a Staff publication in liaison with IAASB. Please refer to agenda item 5A for discussion. • The Task Force is of the view that this is outside the scope of this project. Please refer to agenda item 5A for discussion.
ICAS	<p>In the Exposure Draft, attestation engagement is now first referred to at paragraph 900.14 A1, and the first mention of direct engagement is at paragraph 900.16. Whilst we appreciate the argument in paragraph 41 of the Explanatory Memorandum that it is more appropriate for the user to refer to the source of the material in ISAE 3000 for definitions, it might be helpful, for example, to include an introductory sentence under "Description of Assurance Engagements" noting the two types of engagement – attestation and direct - rather than the terms being introduced sporadically later.</p> <p>We note that the wording in paragraph 900.14 A2 is quite cumbersome due to the nature of what it is trying to explain. We believe that an example be helpful to a user, similar to that included in now deleted paragraph 900.19 A1?</p>	<ul style="list-style-type: none"> • Task Force proposed adding sentence to introduce the two terms. Please refer to agenda item 5B to sight the amendments. • The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material to illustrate the application of the Code to the various parties involved in an assurance engagement, including examples of direct engagements themselves. <p>The Task Force is of the view that this should be a joint exercise with IAASB.</p>

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2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?		
IDW	<p>We are also not convinced that the current and unchanged proposed categorization of engagements between independence requirements for audits and reviews under Part 4A of the Code and assurance engagements other than audits or reviews und Part 4B remains appropriate. In particular, we believe that independence requirements for an audit or review of specific elements, accounts or items of a financial statement ought to be covered under the independence requirements for audits and reviews under Part 4A of the Code, rather than under the independence requirements for assurance engagements other than audits or reviews under Part B of the Code. We note that the same requirements under the ISAs and ISREs apply to audits and reviews of financial statements, respectively, on the one hand, and audits and reviews of specific elements, accounts or items of a financial statement, respectively, on the other hand. It is therefore difficult to see why a "narrower scope" should have an impact on independence requirements in this respect. We also note that in the vast majority of cases, the auditors and reviewers of the complete sets or single financial statements are also the auditors and reviewers of the specific elements, accounts or items of a financial statement, respectively, when the latter engagements take place. In those less common engagements where the auditors and reviewers are not the same, the engaging party is virtually always someone other than the responsible party (who almost always the measurer or evaluator) where the engaging party engages a professional accountant because the professional accountant is independent from the responsible party and measurer or evaluator. For these reasons, we expect the change to have virtually no impact on practice and it would align the Code to the categorization used in IAASB standards.</p> <p>If IESBA were to follow our suggestion, then in addition to deleting the last bullet point of paragraph 900.1, IESBA would need to insert the word "non-financial" between the words "company's" and "key" in the first bullet point. Furthermore, the sentence added to the definition of the term "financial statements" in the Glossary would need to be changed to include, rather than exclude, elements, accounts or items of a financial statement.</p>	<p>Refer to agenda item 5A for further discussions. The Task Force does not propose any change.</p>
KPMG	<p>We suggest that the IESBA consider incorporating a flowchart or decision tree within the application guidance or non-authoritative material such as a Staff Bulletin or FAQ to clarify for the PAPP what independence rules should be adhered to for each type of assurance engagement.</p>	<p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material, in liaison with IAASB, to illustrate the application of the Code to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>Refer to agenda item 5A for further discussions.</p>

Respondent	Respondent Comments	Task Force Views
<p>2. Do you have any comments on the application of the IESBA's proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?</p>		
<p>NZAuAsb</p>	<p>Treatment of ISA 805 (Revised) and classification of different types of assurance service</p> <p>We identified in our response to the IESBA's ED for phase 2 on improving the structure of the Code that we find the classification of audits of specific elements, accounts or items of a financial statement which are conducted under ISA 805 (Revised) very confusing. If an auditor is performing an audit of specific elements, accounts or items of a financial statement in accordance with International Standards on Auditing, it is not clear why Part 4B, Independence – Assurance Engagements, rather than Part 4A, Independence – Independence for Audits and Reviews, should apply. We do not believe that the addition of sentence that 'the term does not refer to specific elements, accounts or items of a financial statement' to the definition of financial statements in the Glossary helps to reduce this confusion.</p> <p>Split of assurance engagements (audit and review engagements vs other engagements)</p> <p>Part 4A of the Code considers that certain circumstances are perceived to result in a higher level of threats to independence for audit or review engagements over the financial statements of Public Interest Entities (PIE). The underlying driver for this approach seems to be the fact that the public interest aspect of certain engagements is of such significance that a more detailed set of rules is required to reduce the likelihood of damaging the public interest. We believe that this is a principled approach and recommend that this approach is extended to assurance engagements other than audits or reviews of financial statements.</p> <p>While we appreciate that the detailed additional requirements in Part 4A of the Code that apply to an audit or review of PIEs cannot be simply extended to apply to assurance engagements other than audits or reviews of PIEs, we nevertheless believe that these additional considerations provide an appropriate foundation for developing similar specific requirements for assurance engagements with significant public interest.</p>	<p>Refer to agenda item 5A for further discussions. The Task Force does not propose any change.</p> <p>The matter of public interest assurance is being considered by the Non – Assurance Services Task Force.</p>

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Respondent	Respondent Comments	Task Force Views
3. Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.		
APESB	<p>We do not believe all the key terminology from ISAE 3000 (Revised) which has been included in the Part 4B ED is required. For example, the definitions 'underlying subject matter' or 'subject matter information' are unnecessary (these terms are in extant Part 4B and not defined) and the definition of 'criteria' appears only to be included as it is a component of the definition of 'subject matter information'. These terms do not impact on the assessment of threats to independence and overcomplicate the proposed amendments.</p>	<p>The new definitions, taken from ISAE 3000 (revised), have been added for clarity, partly to compensate for text which has now been deleted from the Code. The Task Force does not propose for any change.</p>
CPA Canada	<p>In reviewing Section 900.1, we identified two matters for potential improvement as follows:</p> <ul style="list-style-type: none"> • It is indicated that the Part applies to assurance engagements other than audits and review engagements and provides as an example of such engagements an audit of specific elements, accounts or items of a financial statement. We believe this may be confusing for the user and that it could be improved by stating "The Part applies to assurance engagements other than audit and review engagements as defined in the Code". • The examples of assurance engagements refer to "company" in several instances and we believe that "entity" or "organization" would be broader and more inclusive when the user considers the applicability of the Part to engagements for various sectors. 	<ul style="list-style-type: none"> • Task Force believes this change is unnecessary given that 'audit engagements' and 'review engagements' are defined terms and these terms will be tagged terms in the e-Code. Wording amended to use the defined terms 'audit engagements' and 'review engagements' the first time they are used. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments.

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Respondent	Respondent Comments	Task Force Views
<p>3. Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.</p>		
<p>Deloitte</p>	<p>We understand the intention behind the proposed changes to sections 921, 922 and 924 as explained in paragraph 37 of the Explanatory Memorandum, and we are supportive of the clarification that independence with respect to the party who is responsible for the subject matter information is only relevant for an attestation engagement. However, these provisions also need to address independence of the responsible party(ies) when they are different to the party responsible for the subject matter information. The way in which these proposed paragraphs are currently drafted, it would not impair independence for a family member of the professional accountant to also be the responsible party, or to be an employee in a position to exert significant influence over the underlying subject matter.</p> <p>We recommend the Board reconsider the drafting of these sections to capture both the responsible party(ies) and employees in a position to exert significant influence over the underlying subject matter for both direct and attestation engagements. This may lead to provisions that appear to be different from the equivalent paragraphs in Part 4A, however the definition of “assurance client” is different to the definition of “audit client” and the requirements must be fit for purpose for Part 4B.</p> <p>Furthermore, we recommend the following edits:</p> <p>Paragraph 950.8 A1 – Delete “in an attestation engagement” from (b) since the phrase is already included in the first sentence of the paragraph.</p> <p>Paragraph 900.7 – Change “ISAE 3000” to “ISAE 3000 (Revised)” to be consistent with other such references throughout Part 4B.</p>	<p>4. The Task Force agrees to extend the following paragraphs to apply to the individuals with significant influence over the underlying subject matter:</p> <ul style="list-style-type: none"> - 921.6 A1 - R921.7 (b) - 921.8 A1 (b) - R922.3 (b) - 922.4 A1 (b) - 924.3 A1 (b) - R924.4 (b) <p>Refer to agenda item 5A for further discussions and agenda item 5B to sight the amendments.</p> <p>5. Paragraphs 921.4 A1 to A4 set out the factors to consider with respect to relationships with employees in a position to exert significant influence over the underlying subject matter. With this guidance in place, it does not appear necessary to extend the prohibition to R921.5 to all such relationships with respect to the underlying subject matter.</p> <p>6. The Task Force agrees that paragraph 921.6 should be extended to the underlying subject matter as this requires a threats and safeguards approach applicable to underlying subject matter as well as subject matter information.</p> <ul style="list-style-type: none"> • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments.

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Respondent	Respondent Comments	Task Force Views
3. Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.		
ICAEW	<p>There are some areas where we consider that the terms used could be clearer, although we note that these terms derive from ISAE 3000 (Revised), and therefore cannot be changed at this juncture. Two particular terms that we fear may cause confusion among users of the code are 'underlying subject matter' and 'subject matter information', which to those unaccustomed to ISAE 3000 (Revised) may appear to refer to the same item when this is not the case. These terms are used extensively throughout the Part 4B Exposure Draft, so some clarity that one term refers to source data, and the other to reported information, would be helpful to users.</p>	<p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff, in liaison with IAASB, material to illustrate the application of the Code to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>Refer to agenda item 5A for further discussions.</p>
IDW	<p>We have one comment on another proposed change not related to the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised). We note that the final bullet point of paragraph 940.3 A3 and paragraph 940.3 A4 refers to "underlying subject matter <u>or</u>, in an attestation engagement". We believe that the "or" needs to be "and" because in an attestation engagement, the professional accountant needs to be independent of not only the party responsible for the underlying subject matter, but <u>also</u> be independent of the party responsible for the subject matter information. Due to our comments on the last bullet point of paragraph 940.3 A3 and on paragraph 940.3 A4 in our response to Question 2, the measurer and evaluator also needs to be added in each case.</p> <p>With respect to the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised), we have the following comments:</p> <p>1. The definition of assurance engagement in the Glossary ought to include the text in parentheses in the definition used in ISAE 3000 (Revised) "that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria". This would ensure that the definition in the Glossary for a direct engagement is covered by the definition of assurance engagement.</p> <p>2. The definition of responsible party in the Glossary ought to replace "attestation engagement or direct engagement" with "assurance engagement" in line with the definition in ISAE 3000 (Revised).</p>	<ul style="list-style-type: none"> • The Task Force is of the view that these are separate considerations and change does not seem appropriate. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments.

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Respondent	Respondent Comments	Task Force Views
3. Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.		
IRBA	<p>We have comments and suggested alternative wording to the following definition contained in the "Glossary, including lists of abbreviations" due to inconsistencies with ISAE 3000 (Revised):</p> <p>We recommend that the definition of 'assurance engagement' could be amended in order to be more closely aligned to the wording contained in the International Framework for Assurance Engagements and ISAE 3000 (Revised), as follows:</p> <p>"'Assurance engagement': ...the responsible party about the subject matter information. (ISAE 3000 (Revised) describes the elements and objectives of an assurance engagement conducted under that Standard, and (ISAE 3000 (Revised) deals with assurance engagements other than audits or reviews of historical financial information. The International Framework for Assurance Framework Engagements facilitates the understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISAs),... apply.)"</p>	<p>The Task Force is of the view that adding additional text from ISAE 3000 (Revised) would result in the definition being more specifically and exclusively linked to the Standard. In addition, the current wording was as per consultation IAASB representatives.</p>
KPMG	<p>In paragraph 900.8, to be consistent with the definition used throughout the Code, we suggest defining an assurance engagement as "assurance engagements other than audit or review engagements".</p> <p>We also suggest amending the wording in the second sentence of paragraph 900.16 A1 to "apply the provisions in this Part to each individual responsible party".</p>	<ul style="list-style-type: none"> • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments.

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Respondent	Respondent Comments	Task Force Views
<p>4. Are there any other matters that you consider should be addressed with respect to the alignment with ISAE 3000 (Revised) in Part 4B or in other material, for example in an IESBA Staff publication? If so, please provide sufficient explanation, including practical examples of the matter where available.</p>		
BDO	We believe it would be helpful to provide an example of an attestation engagement and a direct engagement with similar fact patterns to show how to apply the standard in the two different situations.	The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material, in liaison with IAASB, to illustrate the application of the Code to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation, including examples of direct engagements themselves and also guidance on situations where multiple parties relevant for independence purposes are involved. Refer to agenda item 5A for further discussions.
CPA Canada	In preparing to respond to this Exposure Draft, we consulted with the provincial CPA bodies. Some feedback received expressed the general observation that the terms and concepts are particularly precise and that the definitions must be frequently referred to because of the similarity of terms used (e.g., the subject matter information and underlying subject matter). It was also noted that the differences between assurance in 4A and 4B and as it relates to ISAE 3000 are very technical. While acknowledging that assurance engagements and independence standards are technical by their very nature, the issue was raised of explaining such matters to educate users and the public. It was suggested that tools such as flowcharts that could help portray and reinforce the information in a different format may be very useful.	
EY	As noted in ISAE 3000 (Revised) paragraph A18 and A167, the practitioner (referred to as a 'professional accountant in public practice' for the purposes of the Code) may in some circumstances consider it appropriate to indicate that the assurance report is intended solely for specific users and could achieve this by restricting the distribution or use of the assurance report, depending on the engagement circumstances. Therefore, we believe the Board should also consider revising the wording "restriction on use and distribution" used in paragraph 900.12 and Section 990 of the Code to "restriction on use or distribution".	The Task Force notes the observation and proposing no change as it is outside the scope of the project.
FRC	It would be helpful for the IESBA to work with the IAASB to produce a common Glossary of terms. If our concerns set out above cannot be addressed, this Glossary could help explain why the IESBA and the IAASB, which both currently fall under the umbrella of IFAC, are unable to achieve consistency in certain areas, such as what is classified as an 'audit' and what is not.	The Task Force notes the recommendation and will consider bringing this to the IESBA's and IAASB's attention.
GAO	We believe that the requirements and application material regarding management participation threat should be more rigorous. In particular, the requirements outlined in paragraph R950.7 related to what the practitioner should ensure that client management has done should be enhanced to require that management be able to perform the service. We do not believe the assessment of skills, knowledge, and experience of the individual overseeing the service provides sufficient support when taken together with the other two items to ensure that practitioner is not assuming a management responsibility given the level of rigor generally applied in such assessments.	The Task Force is of the view that this is outside the scope of the project and is a matter of consideration for the Non – Assurance Services Task Force.

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Respondent	Respondent Comments	Task Force Views
4. Are there any other matters that you consider should be addressed with respect to the alignment with ISAE 3000 (Revised) in Part 4B or in other material, for example in an IESBA Staff publication? If so, please provide sufficient explanation, including practical examples of the matter where available.		
IBRACON	<p>As answered in question #1, providing practitioners with illustrative examples of definitions would be useful for the understanding of terminologies and respective essence. We do not believe that the Code should be changed, but include additional material providing further explanation of certain topics (e.g., Assurance Engagement, Attestation Engagement, Subject Matter Information, Underlying Subject Matter, Responsible Party) could clarify potential doubts. We would suggest the IESBA Staff to make additional guidance available, such as FAQ or Q&A, on the most questioned topics.</p>	<p>The Task Force recommends that further consideration be given to the benefits of additional IESBA staff material, in liaison with IAASB, to illustrate the application of the Code to the various parties involved in an assurance engagement, according to the type of assurance engagement and situation and also guidance on situations where multiple parties relevant for independence purposes are involved.</p> <p>Refer to agenda item 5A for further discussions.</p>
KPMG	<p>In the context of multiple responsible parties, it would be beneficial to provide guidance related to independence requirements when performing assurance engagements for an industry sector with a small number of participants. As an example, performing an assurance engagement for electricity producers when there are only a few utility providers, could scope out the PAPP from providing other services to the entire sector, based on the potential need to be independent from all of the utility providers. Industry sectors such as film producers and record companies would be other examples to consider.</p> <p>We also believe that application guidance on practical independence issues when performing assurance engagements with practical solutions to overcome such would be valuable to users of Part 4B. For example, application guidance would be beneficial related to determining the nature of the data that represents the underlying subject matter of the assurance engagement (e.g. considering inputs from various parties that may be beyond the boundary of the subject matter).</p> <p>Application guidance would also be especially useful for direct engagements to assist the PAPP in evaluating and addressing threats to independence when considering the acceptance of this type of assurance engagement.</p>	

<p>IDW</p>	<p>Restrictions on distribution and use</p> <p>Paragraphs 900.12, 990.1, 990.2, 990.3, 990.6 refer to restrictions on use and distribution in assurance reports and modifications to Part 4B when such restrictions are included in the assurance report. We believe that the treatment in these paragraphs of restrictions on use and distribution is based upon a misconception of what they mean and how they are used in audit, review, assurance and other services reports in the IAASB suite of standards.</p> <p>A restriction on distribution is a contractual restriction on the parties for whom the report was intended not to distribute the report to other parties without the consent of the practitioner. The reference to a restriction on distribution in the practitioner's report makes those other parties become aware of when they might have received the report in contravention of contractual terms and reminds the parties that legitimately received the report of their contractual obligations not to provide the report to other parties without the consent of the practitioner. The contractual restriction on distribution may also make the parties subject to that restriction liable to damages resulting from the distribution of the report in contravention of the contractual terms.</p> <p>On the other hand, a restriction on use in a practitioner's report makes parties, other than those for whom the report was intended, who received the report aware of the fact that they were not the intended users and that they therefore cannot use (that is, legally rely on) the report. This often leads to legal restrictions on parties that cannot legally rely on the report in their ability to obtain damages based on such reliance.</p> <p>In some common law jurisdictions, it is not possible to restrict distribution, but it is possible to restrict use; in some civil law jurisdictions, it is not possible to restrict use, but it is possible to restrict distribution. In some jurisdictions, restricting both is possible; in others, neither can be restricted in some circumstances.</p> <p>Based upon the work done by the IAASB for ISA 800 for audits of special purpose financial statements, ISRE 2400 for reviews of special purpose financial statements, and ISAE 3000 when the applicable criteria are designed for a specific purpose (see paragraphs 69 (f) and A166-A167), as well as the current exposure draft to agreed-upon procedures engagements (AUP), the only action the practitioner can take in all circumstances is to alert users in the report to the special purpose of the financial reporting framework, the criteria, or the special purpose of the report, and that therefore the financial statements, subject matter information, or practitioner's report, may not be suitable for another purpose. These standards (and the AUP exposure draft) include application material clarifying that practitioners may restrict distribution or use of the report, or both, as applicable. However, the alert is particularly useful when neither distribution nor use can be restricted.</p> <p>IESBA needs to recognize that there are circumstances around the world in which public institutions are required to have assurance engagements performed and that these public institutions might be required by law or regulation to provide these reports to other parties or to make these reports publicly available. Restrictions on distribution</p>	<p>The Task Force notes the observation and proposing no change as it is outside the scope of the project.</p> <p>Refer to agenda item 5A for further discussions.</p>
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Alignment of Part 4B – TF Detailed Responses to Respondents' Comments
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Respondent	Respondent Comments	Task Force Views
<p>4. Are there any other matters that you consider should be addressed with respect to the alignment with ISAE 3000 (Revised) in Part 4B or in other material, for example in an IESBA Staff publication? If so, please provide sufficient explanation, including practical examples of the matter where available.</p>		
	<p>or use may not be possible in those circumstances in the particular jurisdictions in question.</p>	
<p>IDW</p>	<p>Paragraph 900.16 A1 addresses the fact that there may be multiple responsible parties and the consequences thereof. However, in an attestation engagement there may also be multiple measurers or evaluators, and this may need similar treatment in this section of Part 4B. We disagree with the reasoning and example provided in paragraphs 43 and 45 of the Explanatory Memorandum for not dealing with multiple measurers or evaluators. In that example, the portal provider is responsible for compiling and evaluating the data to produce a summary (subject matter information), presented in accordance with the requirements of the industry regulatory body, from raw data (the underlying subject matter) provided by different operators in that industry. Paragraph 43 claims that there would be a single party responsible for the subject matter information and multiple responsible parties. That is incorrect because raw data can only result from the measurement or evaluation of underlying subject matter (phenomena), which means that the raw data is already subject matter information – not underlying subject matter. Consequently, the example deals with multiple measurers or evaluators – not multiple responsible parties. This does not imply that there may not be multiple responsible parties for the phenomena represented by the raw data. For these reasons, the example needs to be revised and paragraph 900.16 A1 also needs to be augmented to deal with multiple measurers or evaluators.</p>	<p>Task Force accepts the proposal.</p> <p>Please refer to agenda item 5B to sight the amendments.</p>
<p>IDW</p>	<p>We have difficulty understanding why paragraph 921.4 A1 refers to significant influence over underlying subject matter, but the requirement in R921.5 (a) only refers to “a director or officer of the assurance client”. There seems to be a presumption that only directors or officers can have control over an assurance client and hence over the underlying subject matter. There are, however, other entities that do not have directors or officers (e.g., a partnership or a natural person). Furthermore, the definition of assurance client extends to those taking responsibility for the subject matter information (and, as we suggest above, those who are the measurers and evaluators), so reference to the responsible party is more appropriate because this requirement also applies to direct engagements. It seems to us that (a) therefore needs to be written as follows: “is the responsible party, is a director or officer of the responsible party or may otherwise exert significant influence over the responsible party”.</p>	<p>Paragraphs 921.4 A1 to A4 set out the factors to consider with respect to relationships with employees in a position to exert significant influence over the underlying subject matter. With this guidance in place, it does not appear necessary to extend the prohibition to R921.5 to all such relationships with respect to the underlying subject matter.</p>
<p>IRBA</p>	<p>A question arises as to whether professional accountants who do not apply the International Auditing and Assurance Standards Board’s International Standards are able to comply with the IESBA Code that is so closely aligned to ISAE 3000 (Revised) terminology. In other words, when undertaking assurance engagements in accordance with other frameworks and standards, will this terminology be sufficiently neutral in order to be compatible?</p>	<p>Part 4B is aligned with ISAE 3000 (Revised) though the definition of assurance engagement does not cite ISAE 3000 (Revised) exclusively. It is expected that users would be able to apply Part 4B when working with equivalent standards. This is facilitated by the conceptual framework which underpins the whole Code, including Part 4B.</p>

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Respondent	Respondent Comments	Task Force Views
<p>4. Are there any other matters that you consider should be addressed with respect to the alignment with ISAE 3000 (Revised) in Part 4B or in other material, for example in an IESBA Staff publication? If so, please provide sufficient explanation, including practical examples of the matter where available.</p>		
IRBA	We recommend that the IESBA, as part of a future project, consider the inconsistency in the definition of 'financial statements' with the IAASB's Glossary of Terms.	The Task Force is of the view that this is outside the scope of this project and will consider bringing this to the IESBA's and IAASB's attention.

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Respondent	Respondent Comments	Task Force Views
5. Do you agree with the proposed effective date? If not, please indicate why not and explain your reasoning.		
Accountancy Europe	The effective date is reasonable, given the limited nature of the changes proposed. We believe IESBA could even make the effective date earlier by six months as the changes proposed are only dealing with inconsistencies of terms and definitions without any need for the market to adapt.	The Task Force is of the view that the proposed effective date as per the ED is appropriate based on the significant amount of support received. Whilst the amendments are minimal, consideration should be given to stakeholders who will require a period of time to be able to adopt and implement the amendments which may also be subject to translation.
FRC	As this project is essentially addressing consistency of terms and concepts, rather than introducing fundamental changes, we believe the changes could be made effective sooner than 15 June 2021. If approval is achieved in December 2019, we suggest an effective date of periods beginning on or after 15 June 2020.	
IAA	No, we do not agree, we believe that one year and six months is a short term to make the rule effective, we propose that it should be extended to at least two years, ideally three years. The reason for our disagreement and proposal is based on the difficulty indicated in our comment in paragraphs a), b) and c), especially in the arguments of a) and b), of the general comments that we issue below. A variant that could be applied is that the validity of the modified rule is June 15, 2021, with the exception of the SMP that will be on December 31, 2023	
ICAEW	We note that the effective date proposed for the revisions to Part 4B is 15 June 2021, and the intention is that this will allow users sufficient opportunity to implement the revised Part 4B of the Code. However, on the basis that ISAE 3000 (Revised) is already in effect, we believe there would be merit in accelerating the effective date, to clarify the provisions that are already in force.	
ICAS	We appreciate that IESBA has indicated that it would not make changes to the Code until 2021, and therefore the effective date proposed in this Exposure Draft is 15 June 2021; however, as this Exposure Draft is simply an alignment of terminology to ISAE 3000 (Revised), we believe it would be preferable to have the Code aligned sooner rather than later in order to assist users.	

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Respondent	Respondent Comments	Task Force Views
Editorial Comments		
APESB	<ul style="list-style-type: none"> • The numbering jumps from 900.8 to 900.12 without a note between the paragraphs about the paragraphs being intentionally left blank. • Paragraph 900.14 A2 includes the words 'or the engaging party' which is a phrase not used elsewhere in Part 4B. • The second and third dot points of paragraph 920.3 A2 could refer to 'assurance client' rather than just 'client' for greater clarity. • The meaning of paragraph R921.5(c) as a subparagraph of R921.5 is unclear. The inclusion of the words 'such a position as listed in (a) or (b) above' would clarify this subparagraph. • It is not clear in paragraph 940.3 A1(c) as to whom the long association is with. APESB suggest adding wording to the effect it is with a person "in a position to exert significant influence" before "the underlying subject matter and/or subject matter information of the assurance engagement." • Paragraph 940.3 A4 uses different wording to other paragraphs by referring to an individual being 'responsible' for the underlying subject matter or subject matter information whereas other paragraphs refer to individuals being "in a position to exert significant influence" (for example, see paragraph 921.6 A1). • The heading for section 990 includes "other than audit and review engagements" which has been removed from other headings in Part 4B. • The definition for reasonable and informed third party and reasonable and informed third party test incorrectly refers to paragraph R120.5 A4. This reference should be amended to 120.5 A4. 	<ul style="list-style-type: none"> • Numbering to continue unbroken from this point until 900.18. • Other respondents suggested emphasizing engaging party further. No change proposed. However, the TF recommends inclusion of paragraph 900.14 A3 to clarify how the conceptual framework should be applied to interests and relationships with other relevant parties. Please refer to agenda item 5 B to sight the amendments. • The drafting here reflects the drafting convention when the assurance client has already been identified earlier in the paragraph, therefore no change proposed. • The Task Force is of the view that the meaning is clear and no change proposed. • The Task Force is of the view that the meaning is clear, i.e. the association is with the underlying subject matter or subject matter information and therefore not proposing any changes. • The extant Code uses the phrase 'individual who is the responsible party'. This is a different formulation from 'employee who is in a position to exert significant influence...'. However as this is only an example and in order to be consistent with the formulation used elsewhere, Task Force accepts the proposal. Please refer to agenda item 5B to sight the amendments. • Given the stand-alone nature of this section, the Task Force believes that setting out the scope in full is appropriate and therefore not proposing any changes. • This has been noted for the next IESBA Handbook Update. This is correctly reflected in the e-Code.
ACCA	<p>We would draw your attention to a possible error in the numbering within Section 900 where the deleted text within the section on Description of assurance engagements has resulted in the omission of paragraphs 900.9 to 900.11 within the marked-up version (unless these paragraphs are now intentionally left blank by the IESBA).</p>	<ul style="list-style-type: none"> • Numbering to continue unbroken from this point until 900.18.

Alignment of Part 4B – TF Detailed Responses to Respondents' Comments
 IESBA Meeting (September 2019)

Respondent	Respondent Comments	Task Force Views
Editorial Comments		
IIA	<ul style="list-style-type: none"> • Para R900.14 states that the firm performing an assurance engagement shall be independent of the assurance client. Yet R900.13 allows the firm to perform both assurance engagement and audit or review engagement for the same client. The paragraphs appear to conflict with each other, and we recommend the first, which keeps the roles independent. • Para R900.33 tries to make allowance for firms providing non-assurance services that overlap with the period of engagement for assurance services. Such allowances can be a threat to independence, as the safeguards would not be reduced to an acceptable level (R300.32). • R900.40 requires the firm to document conclusions on how it has addressed the threats to its independence. However R900.40A1 provides a loophole for firms who did not document how they arrived at their conclusion that their independence was not affected when they undertook the assignments. • Para R905.4 A2 provides examples of safeguards regarding self-interest threats due to overdue fees not paid by clients. The example of having an appropriate reviewer review the work performed does not address the threat and should not be included as one of the possible safeguards. • Para R907.3 A3 involves litigation between the client and a team member or firm. The proposal to remove the affected individual from the team does not eliminate the self-interest and intimidation threat from the client. • Para 910.8 A4 implies that the conflicted person (i.e., the person whose independence is affected due to financial interest in the client) is still a member of the team conducting the engagement. The conflicted person should be excluded from the team. • Para R910.8 A6 provides the example of removing the assurance team member with a personal relationship from the assurance team. However, this does not address the impossibility of removing a firm partner who may be conflicted. • Para 922.4 A3 provides for an appropriate reviewer to review the work performed by people who have been in service with the assurance client. We recommend the code should suggest a cooling off period before such persons are allowed to be involved with the same client. 	<ul style="list-style-type: none"> • Paragraph 900.13 which addresses audit and review engagements essentially overrides R900.14 so the Task Force does not see conflict here and hence does not propose any change. • The Task Force is of the view that this is out of scope of this project and will defer the observation to the Non-Assurance Services Task Force for their consideration. • The Task Force is of the view that this is out of scope of this project. • The Task Force is of the view that this is out of scope of this project. • The Task Force is of the view that this is out of scope of this project. • The Task Force is of the view that this is out of scope of this project. • The Task Force is of the view that this is out of scope of this project. • The Task Force is of the view that this is out of scope of this project.