

Meeting: IESBA-CAG

Meeting Location: Teleconference

Meeting Date: June 20, 2016

Agenda Item

A

Safeguards – Phase 1

Objectives of Agenda Item

1. To consider the main feedback received on the December 2015 Exposure Draft, [*Proposed Revisions Pertaining to Safeguards in the Code—Phase 1*](#) (Safeguards ED-1).
2. To obtain CAG input on the Task Force's proposed revisions.

Project Status and Timeline

1. The IESBA approved its Safeguards Exposure Draft, [*Proposed Revisions Pertaining to Safeguards in the Code—Phase 1*](#) (Safeguards ED-1) in December 2015. Safeguards ED-1 includes proposed revisions to the conceptual framework that are applicable to all professional accountants. The deadline for comments on Safeguards ED-1 was March 21, 2016. Fifty-three comment letters were received as of June 10, 2016. Three letters were received after the Task Force met in May 2016 to consider the comment letters.
2. The Safeguards project is being closely coordinated with the Structure of the Code project. IESBA also released Exposure Draft, [*Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1*](#) (Structure ED-1) in December 2015.¹ Safeguards ED-1 was developed using the proposed new structure and drafting conventions in Structure ED-1. The deadline for comments on Structure ED-1 is April 18, 2016. The IESBA will consider highlight of issues and preliminary Task Force proposals in response to the feedback on Structure ED-1 at its June 27-29, 2016 meeting. The Structure of the Code project will be considered by the CAG at its September 2016 meeting.
3. Phase 2 of the Safeguards project will be informed by the feedback on Safeguards ED-1 and deals with safeguards that pertain NAS in Section 290,² and other conforming changes to the extant Code that are deemed necessary. The IESBA will consider initial Task Force proposals pertaining to NAS at its June 2016 meeting.³ Like Phase 1, the proposed revisions in Phase 2 will be drafted in the

¹ Structure ED-1 included certain paragraphs that were either: (i) shaded to denote repeated text in Safeguards ED-1, or (ii) shaded and italicized to denote extant text that is restructured but is subject to further revisions as a result of Phase 2 of the Safeguards project. Paragraphs R400.9–R400.10 of Section 400 are shaded and italicized text, and pertain to the application of the conceptual framework to independence. Those restructured paragraphs correspond to paragraphs 290.4–290.11, *Application of the Conceptual Framework Approach to Independence* of the extant Code. Safeguards-specific revisions to the shaded and italicized paragraphs will be presented at the September 2016 IESBA meeting.

² Section 290, *Independence – Audit and Review Engagements*

³ As part of its Phase II work, the Task Force is considering revisions to:

format and language of the proposed restructured Code.

3. The Appendix to this paper provides a project history, including links to the relevant CAG documentation. A report back on the March 2016 CAG discussion will be provided to the CAG for consideration at its September 2016 meeting.

Matters for CAG Consideration

Matters Pertaining to the Revision of Safeguards

4. **Agenda Item A-1** is a high-level summary of the significant matters raised by respondents to Safeguards ED-1. The IESBA will consider a more-detailed analysis of the significant matters raised by respondents at its June 2016 meeting and the Task Force's related revisions. The Task Force is seeking input on the matters in **Agenda Item A-1** and the Task Force's proposed revisions in **Agenda Item A-2**. This input will serve to inform the IESBA's June 2016 deliberations.
5. A more fulsome analysis of the respondents' feedback on Safeguards ED-1, a discussion of the rationale for the Task Force's proposals, and IESBA's decisions reached as of June 2016 will be circulated to the CAG in advance of its September 2016 CAG meeting.

Other Matters

6. In response to feedback from the CAG during its March 2016 meeting, the IESBA agreed to revise the description of the linkage between independence and objectivity that formed part of Structure ED-1. The Structure Task Force will present its preliminary proposals to IESBA during its June 2016 meeting.

Material Presented

Agenda Item A-1	Slide Presentation: High level Feedback on Safeguards ED-1
Agenda Item A-2	Proposed Revisions to Safeguards ED-1 [Mark-up from ED]
Agenda Item A-3	Proposed Revisions to Safeguards ED-1 [Clean]

Action Requested

7. CAG representatives are asked to provide feedback to the Task Force, in particular on the revisions to Safeguards ED-1 as set out in **Agenda Item A-2**.

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- Paragraphs 290.100 to 290.101 of the extant Code, titled *Application of the Conceptual Framework Approach to Independence*.
 - Paragraphs 290.154 to 290.216, *Provision of Non-Assurance Services to an Audit Client*.
 - Conforming changes to other sections of the Code, including Section 291.

Appendix

Project History

Project: Safeguards

Summary

	CAG Meeting	IESBA Meeting
Project commencement		January 2015
Development of proposed international pronouncement (up to exposure)	March 2015 September 2015 March 2016	April 2015 June/July 2015 September 2015 November/ December 2015 March 2016

CAG Discussions: Detailed References

Project Commencement	<u>March 2015</u> See IESBA CAG meeting material here (see Agenda Items D, D-1, D-2, D-3 and D-4) and CAG meeting minutes (see section D).
Development of proposed international pronouncement (up to exposure)	<u>September 2015</u> See IESBA CAG meeting material here (see Agenda Items E and E-1) and CAG meeting minutes at Agenda Item A (see Section E). <u>March 2016</u> See IESBA CAG meeting material here (see Agenda Items B, B-1 and B-2). Draft minutes for the March 2016 CAG will be considered at the September 2016 CAG meeting.